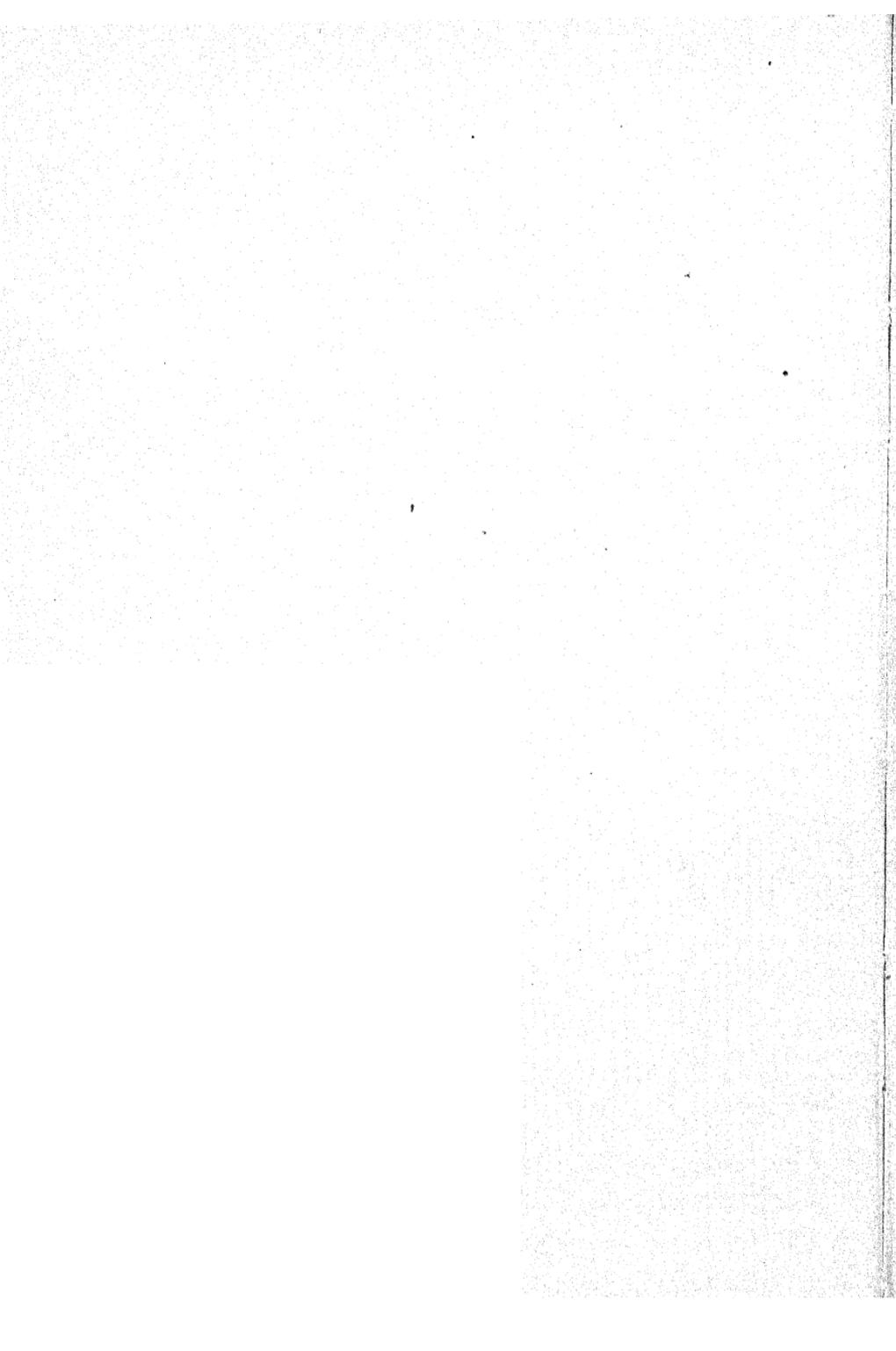


**FREETRADE AND PROTECTIONISM
IN HOLLAND**



FREETRADE AND PROTECTIONISM IN HOLLAND

BY

D^R. A. HERINGA

SECRETARY OF THE DUTCH FREETRADE UNION
“HET VRIJE RUILVERKEER”



T. FISHER UNWIN
LONDON: ADELPHI TERRACE
1914

PRINTED IN HOLLAND.

CONTENTS.

	Page.
CHAPTER I. Historical review of the Commercial Policy in Holland	1
II. The protectionist movement	9
" III. Contentions of Dutch Tariff-reformers	22
§ 1. Protectionist Theory	22
§ 2. Freetrade protection of Trade?	27
§ 3. Is industry suffering?	33
§ 4. Poor-relief and pauper-figures	52
§ 5. The unemployment-and-emigration-ar- gument	53
" IV. The moral side of the question.	59
" V. Protection for Revenue?	65
" VI. Social Reform and Protectionism	77
" VII. The reservation of the home-market?	106
§ 1. Fair Trade arguments	106
§ 2. Dumping	107
§ 3. Neo-Mercantilism	116
§ 4. Protection of National Labour	123
" VIII. Freetrade and Pacifism, Protection and War.	129
" IX. After the Battle.	144

PREFACE.

The reason of publishing this little volume is the third International Freetrade Congress*), which will be held at Amsterdam from 8—11 September of this year. Already on the first congress, having taken place in London in 1908, was resolved to meet in Holland, but this meeting was delayed because the Dutch freetraders wished to avoid the misrepresentation that they sought help abroad in their tariff-campaign. Freetrade must be worked out for each nation on national lines, and the intrusion of any foreign nation would damage the cause. Every nation must prove for itself that Freetrade is profitable to itself and the Dutch freetraders did not like to incur the suspicion that they were encouraged or subsidised by the foreigner. Indeed, they received no other encouragement from abroad than . . . the bad results of protection in protective countries.

But now for the third time the principles of freetrade, having prevailed for more than half a century in Holland, have been attacked in vain by "scientific" protectionism.

*) This book was already printed before the outbreak of the war which made it an unhappy necessity to put off the congress, not till the Greek calends as we hope.

Three times protectionism was defeated because the spirit of freedom is still in full action here.

The chief arguments of the scientific protectionists here as everywhere were shown to be mere allegations, unsupported by the slightest evidence; their neo-mercantile system is not at all a „scientific” one, because it is always in contradiction with itself; neither is it a “national” one, because their contentions in contradiction with the aim of protectionism, are imported from abroad as “half-finished articles”, not suitable for consumption here nor in harmony with the conviction of the great majority of the nation. The fair-trade system of the Dutch protectionists is nothing but a political invention, and the best reply to this kind of unscientific science is quietly to set forth the economic truth as embodied in historical and statistical facts of undeniable authenticity. This the Dutch freetraders have endeavoured to do for many years and they can look to the part with some degree of pride and — though they should remain still a vigilant fighting force for the defence of freetrade — they can look to the future with a considerable degree of confidence.

Thus this little volume, giving a short review of Freetrade and Protectionism in Holland, may on the one hand be a small remembrance of the internal controverse for those who were engaged or interesting in it during the last ten years. On the other hand, as Freetrade, based on the natural law of division of abour which knows no frontiers, is of an international

character, tariff-history of one country may be of interest to others; so the Dutch tariff-struggle may be of some use for the freetraders of other countries.

With this double purpose before us we propose in the following pages to give a short historical sketch of the commercial policy of Holland, and of the protectionist revival, the significance of which cannot be overlooked; — to describe the struggles which marked the thrice-repeated contest between the advocates and the adversaries of the free-trade-system — to trace the motives and influences by which they were governed — to inquire impartially into the substantial results of the free-trade-principles as regards the prosperity and progress of the nation, — to investigate some of the chief arguments of "scientific" protectionism — and finally to commemorate the victory and its causes of the belief in the freedom of trade as the only sound maxim of the commercial policy in Holland.

June 30. 1914.

A. HERINGA.



FREETRADE AND PROTECTIONISM IN HOLLAND.

CHAPTER I.

Character of the commercial policy in Holland.

Experience is the mother of wisdom. History is philosophy teaching by example¹⁾. The laws of history are as immutable as are the laws of Nature; they apply to all times and to all countries, for similar causes always produce similar effects.

The principle, by which the commercial policy of Holland since the middle of the former century has been led, cannot be wholly understood by looking merely at the present tariff as it is, without regarding its historical development.

A review of fiscal policy in Holland must therefore

1) Dionysius of Halicarnassus : De arte rhetorica XI 2.

begin with an inquiry into the origin of its present fiscal tariff. It does not seem necessary to go back to the Continental System ; it is generally known that the prohibition of the commercial intercourse with the British isles, together with an extravaguant high tariff on the import from neutral harbours, had stopped navigation and foreign trade ; the prices of all commodities of life had reached an unknown height without any profit for the honest trade : industry suffered greatly and only a few manufactories could grow up producing surrogates of the forbidden colonial products^{1).}

After the restoration of the independence of Holland the Government of William I was in great difficulty in regard to the commercial system. In 1814 it was the intention to introduce a free-trade-policy. "Considering that it would not be in keeping with the freetrade-system accepted by Us for the welfare of our good citizens to submit the import of Indian products to special conditions," the Government resolved to make the colonial trade free ; transit-duties were lowered with 50 percent and other measures were taken in the interest of a freeer trade and commerce.

But since the union with the southern Netherlands, where according to their wish a new protectionist tariff was introduced in behalf of industry and agriculture, which, artificially developed, were working only for the

1) E. W. DE Rooy, *Geschiedenis van den Nederlandschen handel.* (History of the Dutch Trade) 1856. p. 881.

protected market of the French empire, the difficulties began. The northern provinces asked for a free policy in the interest of trade and commerce, the southern wished for protection. The Government sought to content both parties and chose in the interest of the exchequer a middle-way-system.

The tariff of 1816, as a part of the new fiscal system of indirect taxes, introduced in that year in behalf of the State-finances, was said to be "based on the system of a free and general trade, in *suitable* connection with the interest of the home manufactories, traffics and other branches of industry." But freetrade was no more than a phrase, in practice protectionism was introduced. The tendency of the tariff of 3 October 1816 was in general protectionist without fixing the duties so high that they prohibited the import; in special cases export-premiums were given for some home produced articles and on the other hand export of raw materials for national industry was forbidden in behalf of cheap production; at the same time several artificial measures were taken in the interest of trade and navigation.

The results of this bad system can be found already in a declaration of the government in 1821: that "the high duties existing till now for the protection of Dutch industry have brought no profit and that they were only an incitement for smuggling"; protection had raised the prices at the expense of the consumers; "when the interests of the people were sacrificed to the special interest, it was only to restore a hateful system of mo-

nopoly in behalf of special persons"; and the remarkable conclusion was: "if some manufactories should not be able to exist with the maximum of 6 percent, then it seemed desirable that the invested capital, which worked with loss, should be better used in other industries."

And that the new protectionist system had brought no profit for the State, may be learned from the following figures¹⁾). The bruto product for the exchecquer was

in 1816	7544000	guilders.
" 1817	6618000	"
" 1818	6404000	"
" 1820	6773000	"
" 1821	6221000	"
" 1822	6049000	"
" 1823	5723000	"
" 1824	5110000	"
" 1825	6340000	"

The government of those days dared not condemn the fatal system, but sought for a new system, "by which every class in society could find regulations in her behalf". A difficult and intricate system followed this declaration; certain duties were lowered in the interest of trade and on the other hand the home manufactories

1) Mr. F. N. SICKENGA. *Geschiedenis der Nederlandsche belastingen sedert 1810.* (History of the Dutch Taxes since 1810). 1883. II. p. 129.

were armed against the invasion of foreign goods by the gift of export-premiums ; in short, the government intended to be able to protect the interests of all. And so far did it carry its paternal care, that in 1822 a committee was appointed to inquire "in how far, without damaging the corn-trade, it would be possible to guarantee the farmers against such a considerable fall of prices as might be followed by their ruin, and on the other hand to prevent that the means of existence of the consumers should be threatened by scarcity in years of dearth and exorbitant prices of first commodities of life."

But the results of this protective system were contrary to what it meant to give : protection was given where it was not wanted, elsewhere decline and decay were to be seen ; industries, which had been flourishing of old, as distilleries, soap-houses and salt-works and especially shipbuilding began to decline in consequence of the decrease of trade and navigation ; to remedy the decline of agriculture, the corn-duties were raised in 1822 and in 1824, and a sliding-scale-system was introduced in 1835, so that the corn-duties "every year must be fixed according to the legal middle-price of inland corn in different markets".

In 1840 commerce and industry were suffering greatly under the protective system ; prosperity was declining everywhere. In 1844 trade was wholly in decay ; "already before there were complaints about the state of trade in our country ; in stead of having decreased,

they are now heard everywhere; the unfavourable state of industry is generally known".¹⁾

To remedy this, a new tariff was introduced in 1845. Export-duties were abolished, transit-trade was subjected to a low and nominal duty and the government was declared competent to alter the tariff "in the interest of commerce and industry".

In this year the freetrade movement became more positive. "More than ever", so ran a declaration of the government of 1849, "the want of such measures (for freeer trade) is evident". The laws of 1850 lowered f. i. duties on materials for shipbuilding and some other articles, and repealed the differential treatment of the national flag; transit and navigation-duties were abolished. In 1854 a number of duties were lowered or repealed; in 1857 a proposal for partial reform was rejected because Parliament desired not a partial but a general reduction; the Second Chamber of the States-General declared that "it wished to follow the government on the road of liberal amelioration of the duties on import and export adopted with success during the later years".

According to these freetrade-intentions a new tariff came into existence in 1862. Its basis is the imposition on wholly manufactured goods of a duty of 5 percent of the value in maximum; on semi-manufactured goods (articles

1) Mr. D. A. PORTIELJE. De handel in Nederland in 1844. (Trade in Holland in 1844) p. 1. and 69.

for industrial purposes) of 2—3 percent, while raw materials may be imported free.

These measures were regarded as merely preliminary. Reform of the tariff was believed to be the first step towards the abolition of all protective duties and towards the introduction of a pure fiscal tariff. According to the declaration of 1857, the tariff was lowered again in 1877; the duties on grain, seeds and flour and on most raw materials for agricultural and industrial purposes being abolished.

In its proposal of 1875 the Government put forward "that the leading principle should be the abolition of all barriers to foreign trade and navigation". But the principal objection of the Second Chamber was that the bill did not go far enough; she "wished to have a pure fiscal tariff and do away with any form of protection".

Only the wants of the exchequer are responsible for the continued imposition of the 5 percent above referred to; this may be seen from the declaration of the government of those days: "were it not that the finances of the State called for a limit indeed there would be no other reason for not going farther, and diminish regularly the 5 percent or abolish it at once and only reserve the duties on excisable articles".

Though the 5 percent are still maintained and the Dutch tariff is not yet a *pure* freetrade tariff, the contention of some protectionists that they "do not want a change of principle in the fiscal policy" on account

of the 5 percent, cannot be called true; it is in contradiction with the lessons of history: the experience with protectionism in the years 1814—1850 and its bad results have been the reason for the Government and Parliament to make the principle of freedom in trade more and more the basis of the fiscal policy in Holland; only the last step is still to be taken.

CHAPTER II.

The protectionist Movement.

"The thing that hath been is that which shall be; and that which is done is that which shall be done: and there is no new thing under the sun".

The last words are also applicable to the contentions of the protectionists in Holland. "Advancement of national labour", they say, "will be the result of a protectionist tariffreform; equalising the conditions for production of home industry with those of foreign competitors" "reserving the home market" with defence against foreign producers, who "overflow our country with their over-production" at "dumping prices", "support for well-appointed trades", which with a "moderate protection" will be able to produce the articles which are imported from abroad; "increase of the number of industries", enlargement of the labour-market, to be followed by abolishing, at least "decrease of unemployment"; last not least: "fiscal tariff-reform" for "strengthening the State-finances" . . . these are all well-known assertions, also used by Dutch protectionists and . . . imported by them

from abroad in contradiction with their own system; arguments nearly all "made in Germany" and to be found back in the history of German fiscal policy. We freetraders should almost wish for protection against such an import as a bad result of free trade!

And it is under the undeniable influence of German tariff-history that in Holland a protectionist movement could arise.

When in 1877 the present liberal tariff was born, protection was introduced in Germany in 1878; the high "Schutz-zoll", the corn-duties deprived agriculture and industry of the southern provinces of Holland, named Limburg and North-Brabant, of their principal market. From these Catholic provinces came the first cry for protection, in the beginning only for corn-duties, but soon also for industrial protection. The bad times for agriculture about 1880 and following years fostered the protectionist movement. Prices of all agricultural articles had fallen enormously and the farmers were threatened with ruin; the call for protection grew speedily louder and louder. Industry and agriculture were declared "nearly dead", only "depopulated towns" would remain in Holland, the "streets covered with gras!" And the centre of protectionism, *Tilburg*, an industrial town in North-Brabant with a flourishing textile-industry, with a population of 28000 inhabitants in 1880, has 54000 now! And so strong and speedily could grow up the protectionist revolt, that in 1880 a proposal was made in parliament by Mr. BAHLMAN to reintroduce the differ-

ential duties in East-India in the interest of the "declining textile-industry", which, as he dared say, was "bleeding to death". But the government of those years refused to introduce protection, supported by the fact, that the committee, which had to make an inquiry into the state of agriculture, rejected in its report these artificial measures.

Nevertheless, the movement for industrial duties grew wider. In 1895 a motion of Mr. DOBBELMAN was brought forward in the Second Chamber of the States-General proposing a "tariff-reform in behalf of the state of agriculture and industry and in the interest of the exchequer", but was rejected with 52 against 33 votes.

Now the protectionists tried to get the support of the farmers, but all their endeavours were in vain. So the Nederlandsche Landbouw-comité" (the Netherland Agricultural Committee) rejected in 1897 the corn-duties in its following remarkable conclusion:

"Corn-duties will bring agriculture generally in no sounder state, because:

- a. such a protection will slacken the energy of the farmer, and would bring profit only to a small part of that class;
- b. a duty on wheat cannot help him and will push the trade of the corn-grower in the wrong direction;
- c. the principle of protection must lead to more protection, will therefore give not only agriculture but also other branches of industry a right to be protected;
- d. it is not proved that in Protectionist countries agriculture is better off than in Holland."

Since then no serious attempt has been made to promote the introduction of corn-duties.

The general elections of 1897 brought the victory to the freetrade-principles, and the new Second Chamber refused in 1899 a request of the Dutch Union of flour-millers to raise a temporary import-duty on wheaten flour of 1 guilder per 100 K.G.

Owing to the common-sense of the farmers, agriculture is flourishing now. Some of the achieved results have been shown bij the former protectionist Minister of Agriculture, Industry and Trade in the following figures, relating to export of some agricultural articles, which the protectionist Government itself has given in its explanation to the Budget of 1909.

VALUE OF EXPORT IN :

ARTICLES.	1897	1907	INCREASE.
butter . . .	f 28.800.000	f 38.000.000	f 9.200.000
cheese . . .	" 21.000.000	" 32.000.000	" 10.900.000
cattle . . .	" 8.000.000	" 30.000.000	" 22.000.000
meat . . .	" 22.000.000	" 26.000.000	" 4.000.000
hides . . .	" 5.000.000	" 6.000.000	" 1.000.000
horticultural articles . .	" 15.000.000	" 23.000.000	" 8.000.000
potato-meal .	" 4.400.000	" 9.000.000	" 4.600.000
strawboard .	" 3.250.000	" 6.000.000	" 2.750.000
seeds . . .	" 2.000.000	" 4.000.000	" 2.000.000
TOTAL . .	f 109.450.000	f 174.000.000	f 64.450.000

No wonder that the Government could say in the Speech from the Throne in September 21, 1909: "The state of agriculture and horticulture cannot be called unsatisfactory." According to the official Report about agriculture the value of export of all agricultural articles in 1907 was about 210 million guilders.

An example of the splendid results of the rejection of protection and of the liberal freetrade policy is also given by the bulb-growing industry. The number of members of the „General Union of bulb-growers” has risen from 200 in 1860 to 3000 in 1914. The value of export of bulbs has increased from 1 million to 15 million guilders in 1913; the area under cultivation from 300 to 5000 hectares, export from 5.5 million kilogrammes to 10 millions K.G. in 1902 and to no less than 25 million K.G. in 1913. The splendid flower-exhibition at Haarlem on the occasion of the sixtieth anniversary of this horticultural industry was a fine monument for freetrade in Holland.

The successful development of Dutch agriculture is principally due to the commonsense of our farmers, who rejected protection, and further to the following three facts.

1°. The increased energy of the Dutch farmers, which can be seen f. i. from the following figures relating to the increased productivity of soil.

ARTICLES	Yearly production per annum and per hectare		
	1876/1880	1906/1910	1912
Wheat	21.2 H.L.	30.9 H.L.	34.1 H.L.
Rye	17.4 "	24.6 "	24.9 "
Barley	36.1 "	44.8 "	46.5 "
Oats	37 "	48.7 "	48.7 "
Potatoes	112 "	207 "	249 "
Flax	427 "	626 "	650 "
Cabbage-seed	21.2 K.G.	26.9 K.G.	23.3 K.G.

That protection will slacken energy, may be seen from the following practical example. A Groninger farmer has a farm in the eastern Dollart-polders near the frontier and another just across the frontier in Germany. For the income-tax the man was charged for his Groninger farm on an income at the rate of a rent of 120 guilders per hectare, and for his German farm of a rent of 170 guilders. The man tendered a petition against his assessment; and an inquiry followed. Then it appeared that, though German corn is protected and prices of German corn were 1.5 à 2.5 guilders per hectoliter higher than in Holland, the rent of the farms in German Dollart-polders was also about 120 guilders per H.A., just the same as in Groningen; so that the German farmers did not know how to increase the value of their property; and it became evident that whilst the produce of Groninger farms is more than 2600 K.G. wheat per

H.A., German farmers could not make more than 2000 kilogrammes. The reason was that protection had slackened the energy of the German farmers for the profit of the Dutch.

2^o. The great progress, achieved by Dutch farmers, is secondly mainly due to the co-operation-movement, combined with agricultural freetrade; co-operative cheese and buttermaking manufactories grew up everywhere in the country; co-operative unions for control of milk and dairy products and for promoting cattle-rearing and horse-breeding were created in all provinces.

3^o. Further the wise cares of the government, all aiming at the technical improvement of agricultural industry and at supporting and encouraging personal initiative and energy of the farmers; f. i. agricultural education has increased everywhere; the government is organising winterschools and courses for the young peasants; bureaux for analysing agricultural products have been erected in several places.

The best proof, that agriculture is flourishing now, is the fact, that Dutch protectionists do not ask for agricultural protection; on the contrary, the protectionist Government declared in 1911, "that considering the present condition of agriculture they could not take the liberty to propose corn-duties." But with that they dug away the ground under their feet, for they acknowledged, that 27 percent of the working population, who find employment in agriculture, would have no single profit of industrial protectionism.

Although agricultural duties are in general no longer asked for, the wants of the exchequer, which were the only impediment for abolishing also the still existing 5 percent, have led to proposals to introduce a higher tariff. A scheme, put forward in 1900, proposed a rise of 5 to 6 percent; and the tariff-reformers of to day use this proposal as an argument that there should be no difference between the freetraders and the protectionists, because tariff-reform would only be a question of more or less. But they forget that the Dutch Freetrade Union "Het Vrije Ruilverkeer", has opposed this proposal, although it was solely undertaken by Mr. N. G. PIERSON for strengthening the State-finances. The clerical parties however are protectionists and their governments use the wants of the exchequer as the flag, under which they try to introduce not only a higher but also a protective tariff.

Although Dr. KUYPER, when he was prime-minister of the protectionist Government in 1901, had declared "that he was convinced of the excellent results which our existing commercial system had given", and the government "wished *not this time* to make a proposal to introduce corn-duties", the minister of finance proposed in February 1904 a bill, to raise the 5 percent to 10 or 12 percent on industrial goods. This revision of Mr. HARTE VAN TECKLENBURG was said to be undertaken merely in the interest of revenue; meanwhile, the duties to be imposed or increased must be regarded not as "fiscal" but as protective duties; because, besides strength-

thening the State-finances, they were to "serve for the development of industry and for the advancement of national labour."

The tariff contained no less than 445 articles, divided into 15 groups, on which duties would be raised; the proposed amount of the import-duties was expected to rise from about 10 to 20 million florins. But for the second time protection was rejected; the voters of 1905 wished no protective duties, and declared that they would stick to free trade. Protectionism suffered its second defeat.

The clerical government, which came into office on January 12, 1908, — after the short interregnum of a liberal cabinet from 1905—1908 — did not at first declare its commercial policy. Appeals were made immediately by the protectionists to the minister of finance to "rouse national labour, by means of protection, out of the State of decline", into which in their opinion it had sunk. The ministry however preferred a new device; in his budget-speech of September 1908 the minister of Finance declared that "in order to pay the expenses of social laws, the Government looked forward to the revenues a tariff reform could bring in". The voters had to choose between social laws with protection, and freetrade without social laws. The general elections were in sight! And that this new device has had influence upon the results of the elections in June of 1909, which brought to the clerical government a majority of no less than 20 votes (60 against 40), is not doubtful, when we consider the election-programmes of the clerical

parties, in which it was said that the connection between social laws and protection was indispensable.

In the Royal-Speech of September 1909 however only the "fiscal" side again was put in the foreground. As if in 1908 nothing had been said about "social laws", about "advancement of national labour!" As if the government had not declared in its answer to a question of the Second Chamber, that a "reform with strong protective duties was not the intention!" As if it had not been said that "although the fiscal side shall be in the foreground, attention shall also be given to the special circumstances under which the various branches of industry are producing; so that it will be possible to make the fiscal tariff-reform useful to the improvement of the conditions of industry and in consequence to the advancement of national labour!"

In his budgetspeech of 21 September 1909 the minister of finance, MR. KOLKMAN, announced a fiscal tariff reform merely in order to strengthen the State-finances permanently.

Further he proposed a preliminary increase of the existing duties with 30 percent in order to supply the deficit of the budget. But this extraordinary plan was happily abandoned and the conservative First Chamber stated herself that it had been "noted with much pleasure" that the Government had withdrawn the plan, also that the Finance Minister alluded to "the happy circumstances, which made it possible to take back this proposal".

After MR. KOLKMAN had promised his scientific tariff year after year for three times, the draft of a new tariff bill was laid on the table of the Second Chamber at last on the 1st of April 1911.

In its explanatory memorandum the Government, which did not openly avow its leanings towards Protectionism, said that "the chief aim of this revision was to increase the revenue of the public exchequer with 10 million guilders", in order to find the necessary funds for social reform, whilst also protection should be given to national industry, in that "sense, that, when fixing the amount of the import-duties, they have had regard to the difficulties experienced by the manufactures and commerce of the Low Countries when faced by the often excessive Protectionism of nearly all the European States, the United-States of America" etc.

The Government asserted that Holland is becoming more and more the outlet for the over-production of other countries, that foreign manufacturers sell us their products at lowered prices. So Government declared that Holland is the dumping-ground for other nations, that Dutch industry, which "under normal conditions" could very well develop, is thus debarred from all power of competition. But even in cases among our industries, where such disadvantages are not apparent, the new tariff would add to the already existing Protection; for, said they, there are some industries which even the existing tariff protects. The proposed rates, however, would not establish in Holland a commercial policy

such as obtains almost all over the world; foreign tariffs tend to minimise the import of a greater or less number of commodities; it would then, so said the Government, be seen that the duties proposed are, by the side of foreign tariffs, "generally very moderate". And the Government declared, that "they would gladly embrace Free Trade principles, were they not afraid that they might so induce the ultimate stagnation, if not the decay of Dutch manufacture, in view especially of the course of events abroad these last fifty years". The aim of the revision would thus be "to improve the conditions of production under which most of the manufacturers of Holland must work, particularly as the result of measures adopted in other countries". Shortly, the system proposed by the protectionist Government, may be summed up as follows: Exemption from duty on raw materials, "which manufactures and agriculture must take from abroad, because they either cannot or only inadequately can be obtained at home"; a duty of 3 to 6 percent on partly manufactured articles, according to the degree; of 10 percent on goods not quite ready for the consumers hands and requiring a certain degree of finishing; of 12 percent on wholly manufactured goods ready for consumption.¹⁾ These raters, it was believed, should be sufficiently low, on the one hand, not to make impossible the importation

1) Verte also: The Dutch Tariff Scheme, by Jhr. H. SMISSAERT in »The Burden of Protection«, July 1912.

of articles from abroad and on the other hand, not to favour the formation of rings and trusts at home. Further it was hoped, that the tariff, as revised, would form a more effective weapon in the hands of the Dutch government for negotiation with foreign countries, or, if necessary, for retaliation.

So it seemed, that the prospects for taking the last step mentioned above in the direction of freetrade were not favourable in 1911, and that the commercial policy in Holland would be based on the economic theories of protectionism embodied in a so-called „scientific tariff”.

CHAPTER III.

Contentions of Dutch tariff-reformers.

§ 1. The Protectionist theory.

The first assertion of Dutch protectionists is, that Holland has no freetrade. When freetraders say that the historical line of the commercial policy moves in the direction of lowering import-duties, tariff-reformers tell us that we are wide of the mark.

They deny the movement towards freetrade with an appeal to the absolute figures relating to the increase of the proceeds of import-duties for the exchequer.

The official statistics however show that the proceeds of the import-duties in percents of the total proceeds of all taxes has decreased from 7.8 percent in 1831 to 7.4 percent in 1855 and 5.6 percent in 1895. The following figures can also show the same. The share of the import-duties in the total proceeds of all taxes was yearly in

1840—1850	. . . . .	9.00	percent.
1850—1860	. . . . .	7.83	"
1860—1870	. . . . .	6.85	"
1870—1880	. . . . .	5.78	"

1880—1890	4.71 percent.
1890—1900	6.08 "
1901—1910	7.38 "
1911	7.64 "
1912	8.33 "

The increase however since 1895 from 5.6 percent to 8.3 percent is the result of a law of 1895, which gave to the exchequer a more-proceeds of about 2 millions guilders. The protectionists are always trying to propagate the idea that the law of 1895 "practically has doubled protection." But this is wrong; the law of 1895 had only the intention to make an end to the offensive evasion by sharpening the control of the declaration of the value of import; although it has brought to the exchequer nearly 2 millions more, the law of 1895 means not a change in the principles of fiscal policy, but is only the application of the principle of public order that abuses in trade have no right of legitimation by the government. Besides, the higher revenue is an effect of increased import, of improved consuming-power of the nation and of increased population. If indeed "protection had doubled", then imports could not have increased according the protectionist system.

Also their argument that Holland has no freetrade, because it raises excise-duties, is wrong. "Excises — so is the teaching of our protectionists — are the strongest possible impediments to freetrade and free production as barriers against national welfare; the bad results of those

taxes are plainly shown by the unnecessary increase of prices . . .”

But — when this is true — then just the same is applicable to protective duties because these too have the expressed intention to raise prices.

When protectionists tell us that Holland has no free-trade principles, then they forget the lessons of history, and they deny the facts.

The reason of this must be sought in their theoretical conceptions of the question. They pretend that freetrade is not a question of direction in fiscal policy, but that it is an absolute idea; “freedom of trade can only be spoken of when no duties are raised at all so that everywhere in the world goods can be imported free. That freedom is only given by international freetrade. But even if Holland had not a slightly protective tariff, it should not know freetrade; for a country which allows foreign goods to be imported freely, whilst foreign countries tax its exports, has no freetrade at all, it has one-sided free import.”

What to say of this invention.

The “one-sided-free-import-system” is *not* defended by Dutch freetraders; it is not a system at all, it is only a fact which we are compelled to accept. We regret that state; we regret that import into other countries is unfree, but nevertheless we defend the principle of free import here, because one barrier is bad enough and two barriers would only increase the harm.

The vague theory of Dutch tariff-reformers is embodied

in their so-called "system of rational commercial policy" ¹⁾ , a system in which "import duties will be raised on articles which can be produced at a somewhat reasonable price in our country in a quantity sufficient for consumption", "then industry will be reserved and advanced, trade will be increased; excises will be abolished because they have the intention to heighten prices; no import-duties will be raised on articles which cannot be produced by home industry in sufficient quantity because such duties, f. i. on corn, would increase the price of the products with nearly the amount of the duty imposed." But instead of heightening prices, "rationally applied protective duties will lead to superfluous production and therefore to low prices. It is the duty of the State by applying a rational commercial policy to take those measures which can advance national labour without impediment for the consumers" ²⁾ .

Behold the vague "economic system" of Dutch tariff-reformers. What must be understood by a *reasonable* price, protectionists have never told us. They always speak of "moderate" duties, but never tell us how high a moderate duty can rise. The assertion "low duties will not enhance prices" has never been proved by them; on the contrary it is not in keeping with our experience. "In how far high duties would produce other conse-

1) VAN DUSSELDORP. *Drie stelsels van handelpolitiek* (Three systems of commercial policy) Haarlem 1900.

2) VAN DUSSELDORP. *Praeadvis voor de Vereeniging v. Staathuishoudkunde en Statistiek*. 1904. p. 158.

quences must remain without consideration' ¹⁾), they teach. So they make it easy for themselves! This is what they call a "scientific tariff!"

Protectionists ask that legislation shall choose between different branches of industry and shall give protection only to those which would be able to provide for home consumption as well and in as sufficient quantities as now the foreigner does.

But when freetraders ask them to point out the industries in which new labour can be found, they answer: "do not ask us to point out the trades in which our population would be able to find new work. Those are practical questions which demand a fundamental enquiry and to which I am not competent to give an answer" ^{2).}

The choice, which articles shall be protected and which not, which articles shall be made by home industry and which by the foreigner, must according to the protectionist rational system of fiscal policy be made by parliament; and if tariff-reformers themselves are not competent to say *how* legislation should work, then parliament at least is wholly incompetent to solve that puzzle, parliament which probably will be under the influence of those disinterested protectionists who wish "the advancement of national labour in behalf of general welfare" and if it may be of themselves too!

1) VAN DUSSELDORP. Praeadvis voor de Vereeniging v. Staathuishoudkunde en Statistiek. 1904. p. 158.

1) MR. M. J. PIJNAPPEL. Arbeid en Bescherming (Labour and Protection) Amsterdam 1897, p. 16.

§ 2. Freetrade protection of commerce?

Another contention of Dutch protectionists is that Dutch "freetrade is merely protection of commerce at the expense of agriculture and industry".¹⁾ This protection of commerce consists in the care of the government for the good state of our harbours and canals, especially "in the fact that during more than half a century millions and millions have been spent by the State to enable the harbours of Amsterdam and Rotterdam to compete with foreign seaports".

This is an old complaint of agriculture ; the care of the government for good harbours and canals, for a good state of rivers and other waterways and travelling facilities is called "one-sided protection of commerce" and is used as an argument for agricultural and industrial duties.

In the last 50 years more than 320 million guilders were spent on railways, about 62 millions to improve rivers and streams, about 42 millions for canals; the harbour of Harlingen cost about $3\frac{1}{2}$ millions, the Lemmer one half a million; Amsterdam has got the Northsea-canal, the State's share in its costs being about 37 millions, and the Merwede-canal as a short waterway to the Rhine, which has cost about 25 millions; to make Rotterdam a seaport the New Waterway was dug, the costs of which were more than 42 million guilders.

1) D. R. MANSHOLT, *Vrijhandel, Fiscaliteit en bescherming. (Freetrade, Fiscality and Protection).*

And that those expenses have borne fruit, may be seen from the enormously increased trade-movement. The total tonnage of ships, cleared in and out of Dutch harbours, in 1850 was about 6.325.000 M³.; which number has grown to 59.535.000 M³. in 1903 and to 97.832.000 in 1912.

As to our commerce the following figures relating to the increase of foreign trade speak eloquently.

The average actual value of our foreign trade was in the years

1847—1851	,	.	.	.	491 million florins.
1852—1856	.	.	.	.	652 , ,
1857—1861	.	.	.	.	794 , ,
1862—1866	.	.	.	.	891 , ,
1867—1871	.	.	.	.	1153 , ,

This means in thirty years an increase of 135,84 percent.

The mean volume of goods transported was in the years

1872—1876	,	.	.	.	10062 million K.G.
1877—1881	.	.	.	.	13148 , ,
1882—1886	.	.	.	.	17418 , ,
1887—1891	.	.	.	.	21819 , ,
1892—1896	.	.	.	.	28127 , ,
1897—1901	.	.	.	.	41289 , ,
1902—1906	.	.	.	.	59057 , ,
1907—1911	.	.	.	.	75764 , ,
1912	.	.	.	.	97026 , ,

When we remember that the last tariff-revision in 1877

was in the direction of Freetrade, the figures show the good result, for since 1877 the foreign trade has increased with no less than 646 percent.

Most assuredly the Free Trade system has been profitable to us, which also can be seen from the growth of the special commerce, to which relate the following figures¹⁾.

IMPORT AND EXPORT.

Yearly average in the years.	Import for home consumption.	Export (special commerce).
1847—1851	184.000.000 florins.	132.000.000 florins.
1857—1861	311.000.000 "	246.000.000 "
1862—1866	378.000.000 "	413.000.000 "
1867—1871	493.000.000 "	524.000.000 "
1872—1876	681.000.000 K.G.	516.000.000 K.G.
1877—1881	834.000.000 "	601.000.000 "
1882—1886	1077.000.000 "	823.000.000 "
1887—1891	1262.000.000 "	1086.000.000 "
1892—1896	1446.000.000 "	1177.000.000 "
1897—1901	1887.000.000 "	1601.000.000 "
1902—1906	2395.000.000 "	1969.000.000 "
1907—1911	3050.000.000 "	2442.000.000 "
1912	3613.000.000 "	3113.000.000 "

The effect on rates, wages, freights etc., indicated by these trade returns, for our people is difficult to gauge,

1) Jaarcijfers 1912 (statistical yearbook).

but may certainly be estimated at several hundred million florins. These results are also due to the wise care for better communications.

But did agriculture and industry not share in the profits, was it only "one-sided protection of commerce"?

By the increased trade and navigation the manufacturers were able to buy their raw materials, and the agriculturers to obtain their necessaries at the lowest possible price; their sale grew larger and they were able to compete abroad in the world-market. On the quays, from where the mailsteamers and carrying-traders sail, one can see the variety of articles of all kinds of home industry and agriculture, which are ready to be exported.

An instance is to be found in the history of the cotton industry in Twente. In 1858 the first step was taken to remove Twente's isolation, when the canals in that part of the country were opened that year. Before that time English weaving-yarn had to be transported from Zwolle by wheel, a distance of 12—14 hours to the factories in Twente; after the opening of the canals freights could be lowered. After the opening of the railway coal could be delivered 50 à 60 percent cheaper. And since the abolition of the preferential tariff in 1874 the value of export of the textile-industry in Twente has increased from 4 to 11 million florins a year.

That agriculture and industry both have had their share in the profits obtained by improved means of communication, may be seen from the following export figures of some of their principal products.

ARTICLES	THE AVERAGE SURPLUS-EXPORT was		
	in 1847/56	in 1897/1906	1912
Potato-meal	16.000 K.G.	45.868.000 K.G.	71.557.000 K.G.
Beetroots	77.000.000 "	198.000.000 "	209.000.000 "
Butter	12.581.000 "	20.551.000 "	37.046.000 "
Cocoa	203.000 "	9.500.000 "	24.922.000 "
Chocolate ^(67/76)	24.000 "	4.032.000 "	13.108.000 "
Eggs	11.510.000 pieces (surplus import)	2.255.000 (surplus import)	7.482.000 (surplus export)
Yeast	2.765.000 K.G.	5.270.000 K.G.	
Vegetables	43.000.000 (in 1877/86)	137.000.000 "	193.000.000 K.G.
Stearin	— 26.000.000 "	5.510.000.000 "	4.473.000.000 "
Cattle	59.747 (head)	42.197 (head)	75.750 (head)
Fish (fresh-waterfish)	1.508.000 " (in 1877/86)	4.349.000 "	5.832.000 "
Flax	17.089.000 "	29.652.000 "	36.187.000 "
Meat (fresh or salted)	928.000 "	56.922.000 "	50.407.000 "
Wool	1.086.000 " (in 1877/86)	2.126.000 "	3.602.000 "

EXPORT of the following articles increased :

Earthenware	f 341.000 (1857—60)	f 4.569.000	f 5.619.000
Glassware	" 394.000 "	" 6.531.000	" 21.975.000
Wood (sawed)	" 109.000 "	" 31.869.000	" 41.260.000
Cheese	" 9.701.000 "	" 15.626.000	" 20.814.000
Wooden furniture	" 501.000 "	" 2.208.000	" 3.115.000
Dry goods of all sorts	" 14.414.000 "	" 57.257.000	" 103.900.000
Strawboard	" 8.000 "	" 34.395.000	" 68.121.000

Import and Export (special commerce) of certain articles
 (Financial year 1912).

	Imports.	Exports.
Potato-flour	25.454	97.011 ($\times 1000$ K.G.)
Artificial Butter	803	59.784 "
Chocolate	222	13.330 "
Butter	2,103	39.147 "
Eggs	13.746	21.228 "
Spirits and Liqueurs . .	14.180	42.898 ($\times 1000$ Litres).
Vegetables	18.000	211.000 (1000 K.G.)
Earthenware of all kinds . .	1.073	5.619 (1000 fl.)
Glassware	2.591	21.975 "
Iron Manufactures	24.513	42.981 "
Cheese	95	20.814 "
Candles	93	3.189 "
Preserved Foods (condensed milk &c.)	408	41.789 "
Textile Fabrics	51.370	103.900 "
Cardboard	1.354	68.121 "
Cigars and Cigarettes . .	923	8.112 "

In fact, there is no need to appeal to an exceptional and quite general national prosperity to maintain what the facts demonstrate; our commerce, manufactures, agriculture and horticulture are on the path of an uninterrupted progress, which is due in great measure to the favourable conditions applied to the sources of our prosperity by a tariff conceived in a Free Trade spirit; nor have the protective measures of foreign nations been

able to check the development of these, as is obvious to any one, who will see things as they are. The undeniable, gratifying facts prove the inaccuracy of the fancy-science of the protectionists; the figures show that agriculture and industry are not "suffering from a state of decline" under the liberal fiscal policy; the protectionist contention, that money spent for the improvement of harbours, canals and other means of communication is "one-sided protection of commerce" is based on the wrong idea that the interests of commerce are opposed to those of industry and agriculture. The contrary is true, their interests are interwoven with each other. As the Statesman GOGEL already said: No real trade without products, but also: no factories without commerce; the well-understood interest of industry is a flourishing trade. And for a wise co-operation of the merchant, the manufacturer and the farmer in the general welfare of the country, in the first place freedom of trade is a conditio-sine-qua-non.

§ 3. Is Industry suffering?

As we have seen above, the protectionists claimed higher import-duties in order to "raise national labour out of the state of decline", to which, in their opinion, it has sunk, and they are always pretending that industry and agriculture are "nearly dead". An accurate inquiry into the state of the various branches of industry will show that these contentions are nothing else but phrases and fancy in contradiction with the facts.

And if there are also in Holland, as well in all other

countries, some trades which have cause to complain, then we must not forget that the freetrade system has not the pretention to guarantee that all factories will be flourishing. Freetraders do not consider their commercial policy as a panacea against all social evils as protectionists use to do ; under every system of commercial policy there will be found trades and industries, in which better results might be obtained. The reason of the "decline" and slackness of some industries and trades must often be found in want of working-capital, of personal energy and inertion, in lack of expertness and experience, in defective organization of factories, in being not up to date enough, and in employing unskilled labour.

Therefore the government and parliament, which cannot be expected to know everything about these points, should be cautious when lending their ears to complaints of socalled "declining" industries.

Let us see in what condition some of the principal Dutch industries are nowadays.

First those which complain.

The *flour-millers* demanded a protective duty (a "moderate" one !) of 30 cts per 100 K.G. on wheaten flour. As mentioned above a request of the Dutch Union of flour-millers in 1896 for a duty of 1 guilder per 100 K.G. was rejected.

Import has indeed increased ; the surplus-import was in

1899	161 million K.G.
1900	" "

1901	173	million K.G.
1902	160	" "
1903	167	" "
1904	154	" "
1905	148	" "
1906	191	" "
1907	156	" "
1908	183	" "
1909	159	" "
1910	172	" "
1911	182	" "
1912	168	" "

Meanwhile import of wheat has also risen; the surplus-import was

1899	214	million K.G.
1900	242	" "
1901	292	" "
1902	281	" "
1903	270	" "
1904	268	" "
1905	243	" "
1906	309	" "
1907	245	" "
1908	279	" "
1909	333	" "
1910	346	" "
1911	337	" "
1912	390	" "

This surplus-import of wheat has given work to our flour-mills, and notwithstanding their complaints, industry has increased. The increased import of wheaten-flour was due to the decreased import of maïs, which is used as cattle-fodder, so that a good deal of the imported wheat was ground to flour for cattle-breeding.

What would have been the result of an import-duty on wheaten flour of 30 cts per 100 K.G.?

The consumption is about 400 million K.G., of which 175 million is imported from abroad, and 225 million is produced here. The effect would have been that the flour-millers, who are not numerous so that a cartel could easily be formed, would have raised prices — which is the intention of protection — and that the consumers (the bread-eating population and the cattle-breeders) would have to pay for bread and cattle-fodder no less than $4.000.000 \times 30$ cts = f 1.200.000 more ; of which amount — if import had remained the same — the exchequer would receive only $1.750.000 \times 30$ cts = 525.000 florins and the flour-millers $2.250.000 \times 30$ cts = 675.000 florins. And as it was the intention to stop the import as much as possible, the profit for the millers would increase yet more.

A duty on wheaten flour would bring therefore no profit to the consumers, the cattle-breeding, the pig-breeding, and dairy industry. "National labour" would not be advanced because the flourmilling-industry employs only a few high-skilled labourers ; a good part is performed mechanically and automatically.

A duty on wheaten flour would mean a tax of f 1.200.000 more, a favour to the millers to a minimum of 675.000 guilders.

And can their complaints be believed? According to the declaration of a member of the Dutch Union of flour-millers in the Newspaper of Dutch Bakers of 4 May 1903 the flour-milling industry was flourishing! And now? In the Official Report about the state of Commerce and Industry for 1912 the results of this industry are called satisfactory.

The *leather-dressers* were also complaining. They said that they could not "compete with the foreigners, who are overflowing our home-market with their overproduction at dumping prices. Therefore the number of tanneries is decreasing and work at the existing tanneries is slack."

In 1903 I made an inquiry in how far these complaints could be believed. The experts told me that of sole-leather only those sorts are imported which are not made by home-industry; and in so far as it is imported from Belgium and Germany, it is of an inferior quality, which is not sold by our tanners. Import of vamp from America, Germany and France has increased, because Dutch shoemakers want this raw material, which is not made by home-industry.

As regards the extraordinary low prices of foreign leather, experts assured me that there is no truth in that statement; foreign sole-leather is mostly "aggravated".

ted", that means the weight is artificially made heavier, and because it is sold by weight, the price for Dutch tanners is as high as the home-product.

If the number of tanneries has decreased, then the reason should not be found in foreign competition but in changed conditions of the industry. According to the old system of tanning a tannery could produce no more than 7 à 800 hides a year; and the modern tanneries are factories driven by steam and are able to tan about 500 hides a week; also the tanning-time has decreased from 1—3 years to 3 à 4 months, so that the modern tanneries can charge lower prices and the old-fashioned tanners could not compete any longer. Since 1900 the number of steam-tanneries has increased, and more than one member of the "Union of leather-dressers" declared that they do not want protection!

Besides, by an import-duty on leather — as was proposed by the lex-Harte of 1894 — other industries would be harmed; in the first place, the now flourishing shoe-industry which, by free import of the leather-sorts of fine quality, can produce shoes at low prices, and compete with success in the world-market. Export has risen, and in England, Germany, Denmark, East- and West-India, in Transvaal, Dutch shoes are used.

The Dutch Union of Shoemakers therefore tries to defend freetrade, because they fear that by an import-duty on leather their export will decrease. They fear, what has happened in Germany, where the Chamber of Commerce of Pirmasens, the centre of shoe-making-in-

dustry, complained of decreased export of shoes as result of the raised leather-prices by the import duty on leather. Export of shoes decreased in Pirmasens from 42.000 K.G. in 1900 to 30.800 K.G. in 1903.

In the latest Report about Commerce and Industry in 1912 we also can read that the Dutch export of shoes has increased again, so that many manufacturers had too many orders.

Trunk-makers, saddlers and driving-band-manufacturers would also be harmed by an import duty on leather.

And that protection means a favour to few at the expense of many, may be seen from the following figures.

According to the results of the trade-census there were on 31 December 1909.

	Patrons.	Workmen.	Total.
In tanneries . . .	568	1.764	2.332
Shoe-industry . . .	14.895	16.692	31.587
Saddle-making . . .	732	1.341	2.073
Driving-band-factories	14	124	138
Leather-ware-factories	7	25	32

These figures show that from protection of the tanners only 2.332 would profit, whilst 33.830 would be harmed.

Also the *paper-manufacturers* had complaints. Immediately after the introduction of the German tariff in 1878 the paper-manufacturers in Limburg began to com-

plain, because their export to Germany had stopped. They pretended therefore that their manufactories were confined to Germany for export and that they could no longer exist principally because the high prices of new patterns for wall-paper made it impossible for them to defray their expenses.

They asked for protection in order to "reserve the home-market for national labour and industry."

And what are the facts? In the years before 1878 the dividend of paper-mills was about 9 percent, which decreased to 3.87 percent in 1891/2; but after that year the dividends were f. i. in

1894	7.17	percent.
1896	10.61	"
1901	9.05	"
1903	9.75	"
1906	6.13	"
1910	6.05	"
1912	6.06	"

The number of paper-manufactories, which became joint-stock-companies, grew from 8 in 1894 to 21 in 1912. In the latest official report about Commerce and Industry we can read that the total import of finished articles in the paper-industry in 1912 was 46 million K.G. whilst export was 195 millions. The state of the paper-industry is called "not unsatisfactory", and "most manufactories had plenty of orders as well for the home as for the foreign markets". These instances show that

the paper-industry is a flourishing export-industry and does not need protection at all.

As I have said above, there are some industries, which seem to have more reason for complaint.

The *brick-makers* f. i. complain of free-import of foreign, especially Belgian, bricks. According to a declaration of the Dutch union of brickmakers the production of bricks decreased from 825 million pieces to 546 million in 1901. But... free import means free competition, that is low prices of bricks, therefore also of houses f. i. of cottages for labourers. In the official Reports about this industry we find f. i. that in the years 1910 and 1911 "the course of things is generally satisfactory, and for many manufacturers very satisfactory. Many brickworks produced their maximum, and were in full swing".

The *oilmillers* and *linseed-cakes-manufacturers* complain also. They exported much oil to Germany till the import-duty there was brought from 4 marks per 100 K.G. bruto to 5 marks per 100 K.G. netto. Our export of oil was greatly damaged by the German protection. The German oil-producers, protected against the Dutch import, could sell their product at high prices in the home-market and could sell the cakes (an accessory product) at dumping prices in the Dutch market, where there is no duty on the import of cakes. The import grew from 76 million K.G. in 1898 to 125 million in 1901, 247 million in 1908, 390 million K.G. in 1912.

Therefore the manufacturers of linseed-cakes *seem* to have reason for complaint, but,... export has also in-

creased and is now in 1912 for cakes 115 million and for linseed-oil it has increased from 19 million K.G. in 1904 to 35 million K.G. in 1912, whilst the import decreased from 1.155.286 K.G. to 151.000 K.G. in 1912.

But if they were also protected, they could make a higher price, that means dearer cattle-fodder, dearer cattle, dearer meat ...

We have given a few instances of industries, which are called "nearly dead". But a careful investigation of the Official Reports about commerce and industry shows that of the 153 branches of industry only 17 were found which were said to "suffer by the low prices of foreign competitors"; but the results of 13 of these suffering, dumped industries are at the same time called "satisfactory"!

And now the reverse of the medal. Is it fact or fancy that "national labour has sunk into a decline"? What have been the results of free trade principles and liberal fiscal policy, which have now prevailed in Holland for about 50 years?

We have seen above that agriculture, horticulture and dairy industry are flourishing, that trade has developed to a striking extent.

What about industry? From the great bulk of facts and figures only a few, "speaking volumes", may be given here.

The following figures contain a statement about the number of steam-boilers, manufactories and heating surface.

Years	Number of manufactories	Steamboilers	Heating surface
1881	2.831	3.664	89.275 M ² .
1886	3.236	4.242	112.015 "
1891	3.722	4.974	143.063 "
1896	4.198	5.678	180.563 "
1901	4.787	6.728	244.102 "
1906	4.936	7.160	295.110 "
1907	4.946	7.226	302.827 "
1908	4.937	7.289	312.327 "
1909	4.945	7.405	330.703 "
1910	4.949	7.443	340.243 "
1911	4.940	7.455	347.876 "
1912	4.979	7.560	361.930 "

Do these figures show that industry is *declining*? Is it possible that industry can be slack and yet give reasonable dividends?

The following figures relating to *dividends* realized in some industries by joint-stock-companies in the financial years 1895, 1900, 1905, 1910 and 1912 may give the answer.

DIVIDENDS.

Branches of industry.	1895.	1900.	1905.	1910.	1912.
Banking	5.11	5.22	5.53	5.76	5.69
Beetroot and refineries . . .	5.47	9.89	5.46	17.—	18.—
Breweries	6.96	9.77	6.74	4.78	6.60
Dairy industry	5.62	6.54	7.89	11.33	12.75
Bread and flour-mills . . .	5.53	2.48	6.04	4.85	5.42
Chemical-manufactories . . .	2.27	2.86	5.97	6.89	7.19
Newspapers and periodicals .	6.70	5.15	3.70	4.73	5.37
Gas-works	8.32	8.98	6.90	7.23	6.72
Glass-works	9.06	10.17	2.48	6.23	8.75
Stuff-trade	8.86	11.92	9.97	—	—
Mortgage-banks	5.03	6.67	13.25	10.61	8.21
Paper-mills	6.28	4.99	2.06	6.05	6.06
Shipyards and docks	5.18	8.88	8.08	6.65	7.01
Spinning and weaving mills .	5.06	7.80	7.25	8.38	8.07
Railways	3.05	4.80	4.40	4.27	5.35
Metal-industry	3.48	5.91	5.17	7.58	7.36
Tramways and busses . . .	3.59	5.06	3.03	4.41	4.86
Fire-insurance companies . .	8.70	9.19	7.81	7.83	7.47
Seadamage , , . . .	2.62	1.97	7.09	8.01	8.30
Hail , , . . .	7.65	6.23	—	—	—
Life , , . . .	5.51	9.31	12.54	10.50	17.87
Glass, mortgage, transport and cattle , , . . .	6.60	3.08	—	—	—
Wash, bath, and swimming establishments	5.20	2.39	6.03	8.23	7.94
Water-works	3.03	5.38	7.50	7.36	8.99
Other companies	4.84	4.04	5.38	7.73	8.88
Total	5.13	5.99	6.47	6.60	7.73

These figures show that most industries do not want artificial measures as protection, that there is in the industrial life of Holland "much that is encouraging" as the latter prime-minister Dr. KUYPER has said, that complaints of protectionists about the decline, into which national industry has sunk in their opinion, are opposed to the facts; that most of their contentions are phrases and fancy.

Moreover, the flourishing state of some principal industries may be shown from the already given export-figures.

Textile-industry has extended enormously.

The value of export of all sorts of dry goods has risen from 22.9 million florins in the years 1867—1876 to 26.7 in 1877/86 and to 103.9 million in 1912; import from 31.7 in 1867—1876 to 51.3 million in 1912. Export of cotton goods has risen from 17.7 millions in 1867/76 to 74.3 millions in 1912, import of cotton goods from 10.5 to 18 millions.

Now some Dutch protectionists contend that this flourishing state is due to the still existing 5 percent, because they cannot deny any longer the flourishing state of the textile-industry and they also see that other industries are not declining as they pretend.

But this argument is also wrong; this flourishing state is due to the increased export. Figures, mentioned above, show that protection, which intends to stop the import in order to reserve the home-market, has not had this effect; the duty of 5 percent has not stopped the import

of which the value is nearly 18 million guilders. And it is a fact, that since the abolition of the differential duties in 1874 the value of the total produce of the textile industry in Twente (the cotton manufacturing district of Holland) has risen from 4.5 to 11 millions a year.

Besides, the import-duty was practically only $2\frac{1}{2}$ and not 5 percent; the reason was that, according to our tariff, imports of most articles and also those of dry goods are calculated according to their value; on account of the great difficulty of valuing this amount only half the value was entered at the custom-houses, so that the import-duty was practically $2\frac{1}{2}\%$ percent. As regards the spinneries there could have no profit at all because the import-duty on yarns was abolished in 1877.

The manufacturers in Twente, the party concerned, do not wish protection; and no wonder when one considers that the cost of production of a cotton yarn manufactory in protected Germany is about 8 percent higher than in Holland.

The flourishing state of the industry may be seen from the following figures.

The number of *spindles* was

Towns	in 1880	1900	1913
Enschedé	80.048	198.690	395.484
Hengelo	35.000	35.280	55.000
Almelo	46.000	30.218	47.276
Oldenzaal	19.000	32.400	53.824

The number of *looms* was

	1880	1900	1913
Enschedé	3.665	7.722	13.649
Hengelo	1.164	1.899	2.954
Almelo	3.650	5.949	7.895
Oldenzaal	883	2.086	3.071

The number of *labourers* in spinneries
and weaving-manufactures

		1900	1913
Enschedé	—	8.000	10.081
Hengelo	—	26.96	3.139
Almelo	—	—	5.333
Oldenzaal	—	1.588	1.878

The *payed salaries* of labourers.

Enschedé	<i>f</i> 2.605.539	<i>f</i> 4.904.110
Hengelo	" 984.497	" 1.512.000
Almelo	" 755.235	" 2.401.740
Oldenzaal	" 440.000	" 770.000

The number of *working-hours* a week.

	1900	1913
Enschedé	66	58 $\frac{1}{2}$
Almelo	59 $\frac{1}{2}$	58
Oldenzaal	61 $\frac{1}{2}$	57 $\frac{1}{2}$

The value of the export of Enschedé has risen from *f* 1.880.839 in 1880 to *f* 16.481.140 in 1909, of Oldenzaal from *f* 1.040.000 in 1880 to 3.600.000 in 1909.

What do the manufacturers in Twente say about the question? Their answer, already given at an inquiry in 1902,

can be resumed as follows: in the peaceable but stubborn struggle of nations in the great world-market there can be a permanent place only for him who exerts his utmost strength and who knows how to do so by his own power. By the freetrade-system and only by that system this power is at the same time supposed, roused and promoted. Manufacturers in Twente are convinced of that truth because it has been proved by history and practice.

The Dutch *shipbuilding* is also flourishing. The dividends mentioned above are a proof of it. The gross tonnage of ships built in Dutch yards has doubled in the years 1895—1900. Dutch shipbuilders can buy German iron cheaper than the Germans themselves. Holland with no production of iron, has become a successfull competitor to the German shipbuilders at Ruhrort. The iron needed for the construction of a Rhine vessel is about 6800 to 7500 marks cheaper in Holland than in Germany. The total cost of building a vessel is about 30.000 marks less in Holland than in Germany, while the difference in wages is about 23.500 marks. Owing to the cheaper raw material and lower wages (according to an inquiry of the Chamber of Commerce of Ruhrort in Gelderland a family of six persons can buy for 21 marks as much as for 28 marks in Germany¹⁾) the Dutch shipbuilders can export to all countries in the world.

1) In his book "Der Rheinschiffbau am Deutschen Rhein und in den Niederlanden" Dr. METZ comes to the conclusion that the Dutch workmen in dock-yards can buy the same quantity of food for about $\frac{2}{3}$ of which the German labourers have to pay.

According to the official Report about Commerce and Industry in 1912 the Dutch Shipbuilding is in a "very satisfactory state". We have now about 425 ship-yards with 22.000 labourers. The number of ships built in Dutch yards was in

1907	481
1908	719
1909	812
1910	606
1911	1110
1912	1167

Of these ships were built for foreign countries in

1907	131
1908	218
1909	298
1910	177
1911	288
1912	375

And in a "Survey of the Commerce and Manufactures of Holland", published by the former protectionist Minister of Agriculture, Industry and Commerce, it was acknowledged with undeniable facts that the Dutch yards build ships for 12 various countries: Germany, Belgium, England, Sweden, the Argentine, Italy, Brazil, France, Bulgaria, Chili, Spain and Russia. The value of German Rhine-vessels was estimated at 360 million marks, and of this amounts for nearly 250 million marks has been built in Dutch yards and 110 million in German yards.

The figures prove that Dutch shipbuilding is in a flourishing state, and that this national industry can compete with the whole world.

The *potato-meal-industry* was practically unknown 50 years ago. The surplus-export has risen in the last 10 years from 45.8 million kilogrammes in the years 1897—1906 to 71.5 million kilogrammes in 1912; about $\frac{2}{3}$ of the total production is exported; in 1912 this industry used no less than 14 million hectoliters of potatoes.

The *moss-litter industry* has grown up since 1881; but since the dry summer of 1893 it has increased enormously. The yearly production may be estimated at more than 200 million kilogrammes; it is exported to England, Germany, France, Belgium and America; export has increased from 168,5 million kilogrammes in 1904 to 295 million kilogrammes in 1912.

Our *dairy-industry* shows an export of 39 million KG. butter in 1912 (in 1899: 19 million) whilst import for consumption is only 2 million KG. (in 1899 1.2 m.). Value of exported cheese is nearly 20,8 million guilders (in 1899 about 13 m.); the value of import, which consists principally of French sorts (Gruyère, Camembert etc.) which are not produced here, is about 95.000 guilders.

Of *margarine* for consumption the average export in the years 1897—1906 was about 48 million KG. (in 1912 59,7 million KG.), import was about 803.000 KG....

But why give more fatiguing figures? My intention

was not to pass a complete review of all our industries and the results achieved in each of them. It was only my intention to give some instances to show that it is *not* true, as the former Government and the Dutch protectionists assert, that a large number of our industries suffer from foreign competition, and that the measures of foreign Governments tend to produce the stagnation, even the decline, of our manufactures.

Protectionists who maintain this assertion forget to base it on the precise facts which should attest such falling off. Several more facts to the contrary could be quoted, facts that justify the assertion that Dutch industry occupies a very enviable place in the world's commerce. We can refer the reader f. i. to the "Survey of the commerce and manufactures of Holland", published at the International Exhibition of Brussels, 1910, by the former protectionist Ministry. No one, who peruses these twenty pamphlets in their orange cover, can fail to be impressed with the feeling that the general laments over the decadence of our industry and commerce are contradicted by unquestionable facts and that even though one trade here and there may suffer from passing conditions of an unfavourable kind, yet, regarded as a whole, they are on the upward path. Freetrade and the existing tariff, far from checking, are actually promoting the development of our national wealth. The assertions of Dutch protectionists about the "state of decline of industry and national labour" are in contradiction with the facts, and therefore should be greatly considered as phrases.

§ 4. Poor-relief and pauper-figures.

The same can be said of an other "argument" much beloved by protectionists and apt to make a deep impression on the masses of credulous people. I mean their figures about poor-relief. They told us that the number of poor in Holland is much higher than in other countries. At the time of the general elections they published the following figures :

in America	5	paupers on every 1000 inhabitants					
„ France	32	"	"	"	"	"	"
„ Austria	35	"	"	"	"	"	"
„ Germany	50	"	"	"	"	"	"
„ Holland	105	"	"	"	"	"	"

These fancy-figures were used for the first time in 1895, a protectionist member of parliament said that 20% of Holland's population received poor-relief.

Although these nonsensical figures were conclusively confuted by the minister, protectionists go on using them for the masses. Only one difference: the figure, which in 1895 was 197, has now changed into 105.

Protectionists do not tell their public that the American figure only relates to the poor received in poor-houses; that the figure for France only relates to persons who receive assistance from "les bureaux de bienfaisance", and that the Dutch statistics relating to poor-relief relate to all sorts of assistance, even of women in child-bed, and of workhouses, charities, hospitals, alms-

houses, and that they contain an unknown but very high number of persons who are counted twice, that is of persons who in one year receive more than once assistance from the same charities or once from more than one charity.

Besides, the figures are wrong. A Catholic writer, a protectionist himself, has refuted and corrected them. According to his statement of 1903 the number of poor in Holland was in 1892 54 on very 1000 inhabitants and in 1899 46. Notwithstanding that, a protectionist newspaper used the old figure 105.

When protectionists take figures relating to poor-relief as a thermometer of economical conditions of the people and of general welfare, then the figures show that in 1855 there were on a population of 3.261.227 inhabitants about 527.790 who received poor-relief, that is about 16 %. In 1900 their number was on a population of 5.104.137 inhabitants about 240.240, that is 4.7 %.

The amount of money spent on poor-relief was in 1855 f5.497.104 that is about f10 for every poor man; in 1900 this figure had increased to f7.387.000, that is f30 per head. These figures should show that the number of poor in 1855 was three times as high and that the poor now receive three times the amount of half a century ago.

§ 5. The unemployment and emigration argument.

Another much beloved contention of Dutch protec-

tionists relates to unemployment. Tariff-reformers (their society counts only 70 members, the freetrade-union has about 1200) have published a paper in which they tell the masses, that "in 1890 there were in Prussia more than 40.000 Dutch-speaking inhabitants, on 1 Dec. 1900 77.413, on 1 Dec. 1905 84.555. The number has increased since then and now there are in Germany about 88.000 Hollanders, against about 30.000 Germans in Holland"; and then they continue: that "40 years ago a great many German labourers had to go abroad to find work and now Germany needs not send away her inhabitants to seek work and find bread". And the principal clerical newspaper "the Standard" dared say that "there is no work for our workmen here, they must be sent abroad because there is no work and no bread for them here. This circumstance proves that the freetrade-policy is an anti-national policy..."

It is astonishing! A Dutch proverb says: the impudent have half the world.

Their intention is clear. Germany has protection, Germany has work; unemployment in Holland, Holland has freetrade; the remedy is: protection is wanted in Holland.

These tactics must be earnestly warned against. The use of figures here by the protectionists is abuse, is distorting the facts. First, "Dutch speaking inhabitants" are mentioned, and then these figures are said to relate to Dutch workmen who cannot find work here!

Besides, the choice of the figures is a blunder. When

one wishes to see in emigration a sign of general welfare then the figures can be used against protection. In 1900 there were according to the German census of 1 December 1900 no less than 3.479.906 Germans in foreign countries, whilst only 823.597 foreigners were found in Germany. For one foreigner who came to Germany, no less than three Germans had gone away from their country! If it were true that emigration is due to unemployment then these figures would be a bad test for German protection. According to the protectionist argument, those 3½ million Germans had to go abroad because they could not find work and bread in their country; for one foreigner who came to Germany, no less than three German citizens had to emigrate to find their daily bread far from the beloved Heimath!

And what is the case with the 30.000 Germans in Holland?

Of this number there were about 11.654 men, the others were women. Of these 11.654 Germans have found work in Holland

in agriculture	1.362	that is 11.7 procent
trade	2.688	" " 23 "
traffic	848	" " 7.3 "
<i>industry</i>	4.668	" " 40 "
free professions.	2.088	" " 17.9 "

Now we may ask, what can be believed of the contention of protectionists that "industry is slack", that

"national labour is declining", when even foreigners can find work here, and of these no less than 40%, that is the greater part, is working in industrial trades?

And what is the case with the 88.000 Dutch speaking inhabitants of Germany? Is it true that these people are all Dutch workmen, who are driven from home by hunger and had to go there for their daily bread?

No, these figures and the tactics of tariffreformers to use them are wrong and misleading.

Protectionists ought to have said that this figure is not the number of labourers, that it includes 35.105 women and 13.561 children and all persons who have emigrated from the East and West Indian and all other Dutch colonies to Germany. They should have mentioned that the number 88.085 is got from a winter census, and that it includes a number of agricultural labourers, who in spring, summer and autumn find employment in Holland, and who in winter-time when no agricultural labour can be done here, go to Germany in order to earn some extra money in the German mines.

The so-called "steady stream of emigration" from freetrade Holland to protected Germany, is a phrase.

Emigration is a sign of unemployment — this is the suggestion of the Protectionists; "go to protective countries and you can find work in abundance." If this were true, one would expect to find no emigration in protectionist countries.

The following figures teach a different lesson.

Of the foreigners in Germany there were

	in 1871	in 1900	increase	
from Austria	75.702	390.964	416 percent.	
" Russia	14.535	46.967	223	"
" Italy	4.019	69.738	1.653	"
" France	4.671	20.478	338	"
" Holland	22.042	88.085	299	"

The increase of emigration is greatest in Austria, Italy and France. Applying their own method, the protectionists ought to explain this curious phenomenon, which seems to indicate that Austrian, Italian and French workers prefer to throw away the blessings of protection in their own country or had to go abroad to find their daily bread there, which they could not find at home.

Emigration a sign of unemployment! Well, the emigration of labourers from the eastern provinces to the mining districts in Germany was as follows f. i. in the years :

1902	. . . .	77.675
1903	. . . .	82.667
1904	. . . .	88.758
1905	. . . .	91.195
1906	. . . .	96.857

These figures prove that the agricultural labourers in Germany do not profit by the high German corn-duties.

We will give no more figures about this point. Enough has been said to show that emigration should not be attributed to unemployment, that all emigrants are not

"workmen who are sent abroad because there is no work and no bread for them at home." It seems to me, that he, who must defend his case with such arguments, proves too much and is guilty of a gross misrepresentation of the facts and of misleading public opinion.

The truth is that besides unemployment — which is a deplorable social disease that can be observed in every country and under every system of commercial policy — there can be a great number of other causes for emigration; that emigration of workmen is not only due to want of bread, and that if one will use the argument, it is more contra than pro protectionism. The tariff-reformers, who "à tort et à travers" try to make the promotion of national labour a device and an election-cry, may listen to the words spoken in parliament by the former prime-minister of the clerical cabinet, Mr. HEEMSKERK: "I will never assert that protective duties can abolish unemployment. That is really in contradiction to experience." So it is indeed.

CHAPTER IV.

The moral side of the question.

Dutch protectionists contend that the question of commercial policy, Freetrade or Protection, relates to material interests only. So Dr. KUYPER's newspaper *The Standard* (*De Standaard*) of August 26, 1908, wrote in a leader: "It is only a practical question; a question wholly dominated by the question of opportunism."

The protectionists therefore acknowledge that in their struggle for protective duties there is no moral principle at all; on the contrary they treat the case of Freetrade against protection as a business-question pure and simple; they avow that only material profit is aimed at.

Now, one may be astonished that this is an assertion of the clerical parties, of the same christian parties who always claim for themselves the monopoly of protecting and advancing the moral interests of the nation which in their opinion are safe only in their hands. And more astonished even will he be, who asks what may be the reason of the phenomenon that it is the christian parties in Holland who fight for protection, and what — if the commercial policy must be considered only as a sordid

business-question — may be the connection between religion and protective duties. Is there in Holland a special reason for this connection, which does not exist in other countries?

The answer is given in a leading article in the Standard of February 12, 1909, entitled "Cosmopolitanism and Freetrade." "Cosmopolitanism is" — says the protectionist newspaper — "the unsound state which leads people to disregard the specific national qualities and to be entirely wrapped up in a general love of the world. And to those specific national traits belongs the characteristic christianity which grew up in Holland, the religion of our forefathers; therefore cosmopolitanism is in contradiction to the specific Dutch religion."

"Cosmopolitanism will most be advanced by foreign trade, of which the characteristic and task is to promote the intercourse between nations; that freetrade policy means to efface all frontiers between the various peoples and intends to transform the whole world into one great human society, which unwillingly makes one think of what was frustrated at the building of the Babylonian tower.

"Therefore one must not forget that the sense of nationality will be lost, national labour will be harmed, and the national religious character of our people will lose its depth.

"The rights of religion must therefore be defended against the dangers of freetrade"!

This argument and its conclusion are — it needs not

to be said — entirely wrong and untrue. The shortest way to refute this narrow-minded apprehension of Christianity would be a reference to what the great exponent of the national economic system, Friedrich List, himself has said on this point, where he speaks of Freetrade in its ethical aspect as "commended both by common sense and religion."

But the contention that Freetrade is in contradiction to religion is entirely false. The meaning of international freetrade is the vision which inspired Cobden : a world of nations in which each of them will produce those articles which can be produced there in the best and cheapest way ; in which growing international trade will bear the fruit of better mutual acquaintance and greater mutual sympathy and these together will weave a web to bind peoples together, so that the "specific national qualities" of each of them will be advanced and promoted as much as possible. Freetrade brings into practice the divine law that teaches us to do unto others as we would have others do unto us and to love our neighbours as ourselves.

To subject the industry of a foreign manufacturer to a more or less prohibitive tariff violates both of these commandments upon which are partly founded all the law and the prophets. Protection is a declaration of open war upon the doctrine of the brotherhood of our race, a violation also of the goodwill and peace among the nations.

The question of freetrade against protection nothing

else but a business-affair! Pounds, shillings and pence and lists with correct figures are valuable allies in the fiscal controversy. But loftier views and purer motives should be brought to bear upon the people in creating public opinion. Arguments upon tariff-duties are not exhausted by explanation founded solely upon figures. Every important economical and political question is interwoven with moral considerations even if these are not brought forward in public discussion. Honest convictions and conscientious principles ought to be the guiding motives in the framing of fiscal as in all other social reforms. The protectionist leaders and the members of the Dutch clerical parties seem to be influenced only by calculations based upon the multiplication table and the higher or lower number of favourably disposed Christian electors.

That protection is dangerous for the moral foundations of the nation, may not be clear in a country like Holland where now freetrade principles have prevailed for half a century and the general welfare has been advanced by a liberal commercial policy; but the experience in protective countries shows that dangerous influence upon the moral qualities of the people. Favouritism of private interests, that is the quintessence of the protective system which adorns itself with the alluring but misleading name of advancement of national labour. The "reservation of the home-market for national industry" is nothing else but spoliation of the consumers of their right and freedom to buy where they can buy cheapest;

they would be taxed by the protected manufacturers in contradiction to our constitution, which says that taxes may only be raised in behalf of the general welfare. Special favours to a few manufacturers lead to privileges, to new protection, to class-legislation. The inner history of every modern protective tariff is a history of commercial and political corruption. Look at Germany, the small minority of protected capitalists in alliance with an agrarian Junker-party manages to rule the community in their own interests. Besides, protection, not free-trade, will lead to a lessening of personal energy, to a slackening of initiative and of the spirit of enterprise.

The Dutch freetraders are more than ever convinced that the strength of the freetrade policy is owing to its economic, but still more to its moral efficiency.

The commercial policy at present does not know favouritism to special classes and individuals; when free-trade principles are maintained, we may expect a clean government. The principles that underlie freedom of trade are allied to the highest national qualities. That liberty of trade does not exist everywhere only shows that self-interest and privilege fight to their last ditch to maintain their power of spoliation, but can never be an excuse for changing our liberal and peaceful commercial policy.

We are convinced that only a nation, which has cast out the cowardly fear of commercial competition, will see its moral fibre strengthened, and ultimately it is only moral fibre that keeps a nation alive and great.

The really serious and far-reaching consequences of a tariff are not economic but moral. A tariff imposed to protect industry from competition is in its very nature nothing but a privilege. The intellectual juggling required to make the protectionists arguments plausible is in itself an immorality. But the protective system would not only lead to the overestimation of privileges, to the underestimation of self-reliance, it would bring on us a still more serious evil that is the dulling of our perceptions of right and wrong.

The Dutch free-traders are deeply convinced that the most precious possessions of the nation are self-reliance, intellectual integrity, sensitiveness to right and wrong. With these qualities our future is sure, the strengthening of these national qualities is not opposed to religion. Protection undermines these qualities; the policy of protective duties which considers the commercial system as only a matter of opportunism is from a moral point of view in contradiction to the highest aim of legislation and of human law: the moral education of the people.

CHAPTER V.

Protection for Revenue.

One of the most prominent features of the reactionary movement in favour of Protection in Holland was the endeavour to claim support on the plea that in no other way the increasing needs of the State could be supplied. "The new expenditure imperatively demanded for social laws" — for which the lower classes could not wait anylonger, "no day and no night" as the clerical leader, Dr. KUYPER, already had said several years ago — "cannot be met without protective duties; how can the ever increasing national outlay be met without broadening the basis of taxation?" And the fear of the conservative parties, who are against social reforms, that more direct taxation may become necessary, has nourished this conception of the protectionists and the clerical parties, who fight against direct taxes, that the cost of social laws will necessitate the adoption of a protective tariff. The great majority which the general elections in 1909 have given to the former Cabinet, was principally due to the reactionary movement against direct taxation and against social reform. Only in a few

districts did the question of protection against freetrade form the basis of the election-battle. The great majority of the clerical parties (60 against 40) cannot therefore lead to conclusion that our country had then positively made a stand for protection and had condemned the freetrade principle of the fiscal policy, which had prevailed for about 50 years.

That the commercial policy of the clerical parties was also practically considered as mere opportunism, as a way to get money for the exchequer, may be seen from the proposals of the protective government of 1908. In the Queen's speech of 1909 only the need of the exchequer was spoken of; the connection with social laws which was put in the foreground in 1908, was no more mentioned. In the Queen's speech the cabinet said that the "State's finances are in urgent need of a remedy", a proposal "for tariffreform may be expected before the end of the year of session. The deficit on the budget demands a permanent strengthening of the revenue; extraordinary measures must be taken to supply the means, a temporary raise of the tariff may be made serviceable to this end."

Two bills therefore were laid before parliament:

- 1o. tariff reform in order to strengthen the State finances permanently;
- 2o. a temporary raise of the import duties to supply the deficit of the budget.

The minister of finance expected to get about f 3.750.000 by an additional 30 % on the existing duties. This pro-

posal encountered general opposition; the faults of this unwarrantable scheme to increase with about $\frac{1}{3}$ the present tariff with its many technical faults, were amply explained in the newspapers and at meetings of all parties concerned. It won't do to make the tariff of import duties merely the final entry on the credit-side of the budget; this would cause an intolerable uncertainty for trade and industry.

Happily there were "changed circumstances" which made it possible for the minister of finance to drop the bill, which could not satisfy both freetraders and protectionists. And this product of the protectionist theory, that the fiscal policy is a question of mere opportunism, was so bad that the First Chamber of the States-General, which was in majority clerical, in its report to the budget said: "The dropping of the bill to raise the tariff found *general approbation*."

After the elections of 1909 the Government announced again the fiscal tariff-reform "in order to strengthen the State's finances permanently"; and after having been promised three times the tariff of Mr. KOLKMAN was at last on April 1, 1911 laid on the table of the Second Chamber.

The chief aim was "to increase the revenue of the public exchequer by 10 millions guilders", and to "improve the conditions of production in Holland, which suffers from foreign competition". But, one could ask, if its object were to check as far as possible the importation of foreign goods, how could it then hope to obtain such a result?

During the tariff-campaign protectionists contented that the foreigner should pay the tax. But the nation did not believe it, for we remembered that a protective tariff for revenue purposes is nothing else but a "financial system" based on misleading the tax-payers; and that one of the most intolerable effects is that the population should be taxed for the benefit not of the State but of some few protected manufacturers. We have already mentioned above how by the duty on flour of 30 cents per 100 KG. a few flour-millers should be benefited by the State at the cost of the bread-eating consumers, and how they should be able to tax the population for an amount of 675000 guilders a year for their own benefit.

Besides, we remembered the striking example which German tariffhistory gives in the bad results of the corn-duties. By means of the official statistical data from the Statistisches Jahrbuch für das deutsche Reich (1908) we could make the following calculation about the amount, which the German population is compelled to pay to the protected agrarians.

Crops in 1907.	Difference in price abroad and in Germany nearly = the import duty.	Returns for the agrarians.
wheat 3479 mill. KG.	55 Marks	191.3 mill. Marks.
rye 9758 "	50 "	487.9 " "
oats 9149 "	50 "	457.4 " "
barley 3498 "	40 "	139.9 " "
	Total . .	1276.5 mill. Marks.

When the amount for own consumption of agriculture is estimated about 30 percent, that is \pm 382 million, then the enormous amount of \pm 894 million marks remains, which the German population (of which 81 percent is not corn-growing) is compelled to pay as an indirect tax for the benefit of the protected agrarians. And the interesting Statement, given bij professor Brentano in his „Denkschrift”, offered to the London Free-trade Congress, which can also be found in his article „Protection in Germany” in the Burden of Protection July 1912, makes the comparison (as shown in page 72-73) of the benefits derived from corn-duties by the State and by private persons.

This comparison shows that in the years 1907—1909 the German population indeed is compelled to pay no less than about 894 million marks to the protected agrarians and that the State gets no more than 125 million.

Thus in the years 1907—1909 the 81 percent of the German people who do not grow corn for themselves, have paid 3059 million marks of which in each year, on an average, 894 million, or in total 2682 million marks flowed into private purses. What the duties on wheat rye, barley and oats brought to the State in those years, has burdened the taxpayer indeed with only 7.36 marks per head of the grain-buying population, or, on the average of each year 2.45 marks, but the extra sum they have had to pay amounts to 55.38 marks or a yearly average of 17.46 marks for the benefit of the protected agrarians.

The Dutch taxpayers rejected "protection for revenue", because they did not like to be burdened with the armour of a protective tariff, which does not protect them at all; and which is nothing else but a burden on the people for the benefit of a few; the Dutch electors of 1913, mindful of this striking example of the bad results of German protectionism, did not allow that the State should agree to leave taxation in the hands of certain private persons, whom it clothes with power to levy tribute on the mass of the population. —

And that protective duties as a part of "the financial system" of indirect taxation does not take into consideration the bearing power of different classes of the population, will be evident from the following figures¹⁾, relating to the proportion between direct and indirect taxes in Holland.

REVENUE IN THE YEARS.

MEANS.	1897—1901 (Averaged)		1912	
	absolutely	percent.	absolutely	percent.
Direct Taxes . . f	34.125.593	23.44	f 50.556.753	23.55
Excises. . . . "	47.886.425	32.89	" 64.427.009	30.02
Indirect Taxes . . "	22.205.215	15.25	" 29.982.649	13.97
Import Duties . . "	9.223.235	6.34	" 15.783.666	7.35
Other means . . "	32.150.039	21.54	" 53.896.042	25.11
Total . . f	145.590.507	100.—	f 214.647.119	100.—

1) From the „Statistiek der Rijksinkomsten 1912”. (Statistics about State-Revenue).

These figures show that the direct taxes bring in only ± 23 percent of the total revenue of the State.

When we consider only the figures of the direct and indirect taxes in the proper sense, then we can make the following comparison:

Direct taxes =

taxes on production, income, capital
and succession 33.17 % of total

Indirect taxes =

taxes on consumption (houses, excises,
import duties, stamps, registration,
and mortgage) 66.83 % of total

When we consider as direct taxes those on the production, income and capital, then we see that the total amount is 53.5 million guilders, against 107.6 for indirect taxes.

That indeed the proportion between direct and indirect taxation will be broken by raising the tariff with about 10 million as the protectionists want to do, may be seen from the figures in page 74, giving a statement about the proportion of the various groups of revenue.

Since 1831 the share of direct taxation lowered from 34.5 to 26.67 %, though new direct taxes were introduced in 1892 (income-tax and tax on capital).

Importduties have remained about the same; excises have risen from 30 to 34 %.

That indirect taxation has increased more than direct taxation, is also shown by the figures relating to the

Year.	Population ¹ of the German Customs Union at the middle of the Year.	Of these 81 per cent. bought Cereals.	Kind of Cereals.	Available for Consumption ²		Percent for Abroad.
				Tons of 1,000 Kilos.	Per Head of Population. Kg.	
I	2	3	4	5	6	7
1907	62,318,000	50,477,580	Rye Wheat Brewing Barley Other Barley Oats	8,844,040 ⁰ 5,815,236 ⁰ 1,823,923 ⁴ 3,890,408 ² 7,786,414 ⁰	143 ^{.5} 94 ^{.4} 29 ^{.0} 62 ^{.4} 126 ^{.3}	2 ^{.9} 33 ^{.4} 23 ^{.3} 46 ^{.0} 0 ^{.4}
1908	63,219,000	51,207,390	Rye Wheat Brewing Berley Other Barley Oats	8,902,180 ⁰ 5,674,155 ⁰ 1,735,361 ² 3,400,297 ⁴ 8,222,131 ⁰	142 ^{.4} 90 ^{.7} 27 ^{.4} 53 ^{.8} 131 ^{.5}	1 ^{.9} 39 ^{.8} 20 ^{.7} 50 ^{.5} —
1909	64,126,000	51,942,066	Rye Wheat Brewing Barley Other Barley Oats	8,961,665 ⁰ 5,300,319 ⁰ 1,622,577 ⁴ 4,508,420 ³ 7,144,692 ⁰	141 ^{.3} 83 ^{.6} 25 ^{.3} 70 ^{.3} 112 ^{.6}	0 ^{.0} 29 ^{.9} 15 ^{.08} 53 ^{.02} 1 ^{.9}
				Total in the three Average ...		

¹ Statist-Fahrbuch für das Deutsche Reich, 1910, S. 2.

age paid from		Total of Enhance- ment for Persons paying (Duty \times 81 of Col. 5).		Of this went into		Burden per Head of the Buying Popula- tion in favour of	
Home.	Duty per Ton	M.	M.	State Exchequer.	Private Purse.	the State.	Private Persons.
M.	M.	M.	M.	M.	M.	M.	M.
8	9	10	II	12	13	14	
97·I	50	358,183,620·0	10,387,314	347,796,306	0·20	6·89	
66·6	55	258,903,370·0	86,573,725	172,329,645	1·71	3·41	
76·7	40	59,095,118·1	13,769,162	45,325,956	0·27	0·90	
54·0	13	40,965,998·3	18,844,359	22,121,639	0·37	0·44	
99·9	50	315,350,767·0	1,261,403	314,089,364	0·02	6·22	
Total ...		1,032,498,873·0	133,835,963	901,662,910	2·57	17·86	
98·I	50	360,538,290·0	6,850,227	353,688,053	0·13	6·90	
60·2	55	252,783,605·0	100,607,874	152,175,731	0·96	2·97	
79·3	40	56,225,702·9	11,638,720	44,586,982	0·23	0·86	
49·5	13	35,805,131·6	18,081,591	17,723,540	0·35	0·34	
100·0	50	332,996,305·0	—	332,996,305	—	6·50	
Total ...		1,038,349,034·4	137,178,412	901,170,621	2·68	17·59	
100·0	50	362,947,432·0	—	362,947,432	—	6·99	
70·1	55	236,129,190·0	70,602,628	165,526,562	1·36	3·19	
84·92	40	52,571,507·7	7,927,783	44,643,724	0·15	0·84	
46·98	13	47,473,665·7	25,170,537	22,303,128	0·48	0·43	
98·1	50	289,360,000·0	5,297,840	284,062,160	0·10	5·47	
Total ...		988,481,795·4	108,998,788	879,483,006	2·10	16·93	
years 1907-9		3,058,329,702·0	377,013,163	2,682,316,537	7·36	52·38	
...		1,019,776,567·0	125,671,054	894,105,512	2·45	17·46	

2 *Vierteljahrsshefte z. Statistik f.d. Deutsche Reich*, 1910, i. 87.

YEARS (AVERAGED).	Returns per head of population.						Proportion of every group in % of total income.		
	Population in millions.	Direct taxes.	Import duties.	Excises.	Total.	Other means.	Direct taxes.	Excises.	Other means.
1831—1840	2.5	6.39	1.40	5.57	2.80	2.32	18.48	34.56	7.57
1841—1850	3.—	6.10	1.65	6.31	3.10	1.29	18.45	33.08	8.94
1851—1860	3.2	6.01	1.42	5.87	3.61	1.21	18.12	33.17	7.83
1861—1870	3.5	5.99	1.32	6.43	3.93	1.62	19.29	31.05	6.85
1871—1880	3.8	6.06	1.38	9.11	5.39	1.92	23.86	25.41	5.78
1881—1890	4.3	6.14	1.18	9.74	5.43	2.57	25.06	24.05	4.71
1891—1900	4.8	6.76	1.54	9.24	4.60	3.11	25.25	26.79	6.08
1901—1910	5.5	7.25	2.07	10.08	4.70	3.94	28.04	25.86	7.38
1911	5.9	8.16	2.35	10.50	5.22	4.52	30.75	26.35	7.64
1912	6.0	8.33	2.60	10.62	4.94	4.74	31.21	26.67	8.33

returns per head of population. Direct taxation per head was $f\ 6.39$ in 1831 and 8.33 in 1912; indirect taxation (importduties, excises, and other indirect means) has risen from $f\ 9.77$ to $f\ 18.16$, that is, it is doubled.

These figures show, that, if indeed the State finances must be "permanently strengthened", indirect taxation by protective duties is not the right way to do so without treating the lower classes of the population unfairly, and that a "protective tariff for revenue", raising the indirect taxes, laying a burden more on the broad masses of the population, is undemocratic.

The democratic idea objected to the proposed tariff of Mr. KOLKMAN, because democracy clings to the idea: "taxation according to capacity". Tax-reform in a democratic sense has always been a step into that direction, also in Holland; but the tariff-bill was diametrically opposed to it. Social reform wants to make into a law the duty of the community to assist disabled and old workmen. And the same government, by raising the tariff, would oblige people whose wages do not allow them to provide themselves for their old age, to spend more on their daily wants. This was not only contradictory, it was unjust, and a wrong application of progressive taxation, as comparatively the lower classes would contribute most to the new consumers' taxes.

A glance at the figures proves this conclusively. The burden imposed by the tariff would be divided as follows:

1o. Articles for general use would be taxed with	f 6.015.215
2o. Articles necessary for agriculture and industry	„ 2.534.500
3o. Fancy articles (luxury)	„ 1.210.480
4o. Divers articles	„ 5.230
5o. Tariff-items which could not be classified ,	148.850
Total	f 9.914.275

We see that articles for general use would be taxed over $61\frac{1}{2}\%$ of the total of the higher tariff; the articles necessary for agriculture and industry nearly 26% and fancy articles under $12\frac{1}{2}\%$. When we consider that this bill aimed at protecting industry, not agriculture, then those $61\frac{1}{2}\%$ on articles of general use assume some importance.

When we further consider that of the total returns of taxation in Holland the amount of direct taxes decreases, whereas the indirect taxes increase; that direct taxes (ground-tax, property-tax, tax on profits and death-rates) amount to about 33% of the total; whereas indirect taxes (excises, stamps, registration, mortgages, house-tax and importduties) give 67%, then it becomes evident that the "tariff for revenue", which would raise the indirect taxes with about 10 million guilders, 61% of which would be paid by the lower classes, was not in keeping with the democratic idea of "taxation according to capacity".

CHAPTER VI.

Social Reform and Protection.

In the explanatory memorandum of the protective tariff-bill the former Dutch Government declared, that "the first aim of the proposal was to find the necessary funds for the execution of social laws", and that "the fact that they proposed to raise the tariff proved that the Government earnestly intended to promote social reform."

Though the Government had omitted to show the connection between its commercial policy and social laws, yet during the tariff-campaign the assertion was made that protection is the necessary means of promoting social reform. This endeavour was comprehensible, because the socalled "economic arguments" of the scientific protectionist had proved a failure. The "decline of Dutch industry" was a mere allegation, unsupported by the slightest evidence, and the reverse of the encouraging facts. The mendacious statements about decline and decay were in contradiction with the historical and statistical facts of undeniable authenticity. The unemployment-argument, the promotion of national labour was rejected by the former minister Mr. HEEMS-

KERK himself, who had already declared that it is "really in contradiction with experience that protection should be able to remove the danger of unemployment." Thus the alleged connection between social reform and protectionism proved nothing else but a mere political argument; therefore we thought it necessary to inquire whether the principles of social reform were the same or not as those on which protective tariffs are based, which is the aim of both, and which of the two systems of commercial policy, freetrade or protectionism, can best promote social laws.

Is there really a logical connection between protectionism and social reform?

Protectionists, especially in Germany, whose tariff-history has repeated itself in most other protective countries, have alleged that protection and social reform are intrinsically connected with each other, because they both are parts of the same "National system of political economy" of FRIEDRICH LIST, and of the same national-economic politics of Prince BISMARCK, based on that system. Commercial policy and social reform are said to have the same purpose: protection of national labour. Protectionism aims at preventing national industry from being damaged by the superior power of "Capital", which has also an international character. When thoroughly examined — so we are told — the aim of labour-legislation appears to be protection of the labourers against the power of the international great-capital, against

the foreign capitalists, the money-makers, who by birth happen to be citizens of a nation but who as their fatherland consider any part of the world, where they can find material profit; persons who only in property and not in the nation see their fatherland. The aim of social reform is — so we are told — to give a national counter-poise against those „capitaux qui ne connaissent ni roi ni patrie”.

Protection and social reform are for him, who thinks thus, offsprings of the same trunk. Freetrade is then identified with cosmopolitanism and capitalism; that free-trade, which considers labour as a commodity as each other article for international barter. Freetrade is thus considered as the fatal cause of cosmopolitanism, “that unsound state which “leads to undervaluing specific nationalism”.

Who thinks as a cosmopolite and capitalist, can adhere to freetrade; who thinks nationally and socially ought to be a protectionist; who wishes to promote social reform, — such is the conclusion — must therefore accept protective duties.

Against this reasoning and this style of argument, founded as it is on misrepresentation, we can say that in nearly all countries, in protective countries too, the labour-parties — which are not in the least under the suspicion of thinking as capitalists — do not like protectionism and on the contrary propagate freetrade as a means of promoting social reform.

To be sure, there *is* a necessary connection between

social reform and commercial policy, in this sense, that labour-legislation and freetrade are both children of the same mother, the growing internationalism which manifests itself especially in a deepening of the humanitarian tendency to promote social peace and goodwill among nations.

Both freetrade and social reform are based on the conviction not of contradiction but of community of interests, not of isolation but of unanimity and mutual interdependence. Both ideas are promoted by and are offsprings of the free intercourse between nations in order that the international division of labour may procure the highest possible results for both parties. The freer the intercourse between one nation and others, the closer the connection between the nation's and the world's internal management is, the more will legislation be pushed into a truly social direction.

The contention that free-trade being an outgrowth of cosmopolitanism represses what is essentially national, is incorrect, because freetrade applied in all countries makes every country produce what it is best fitted for, and so helps to develop what is essentially its characteristic nationality.

That freetrade is really part of social reform, that protection is anti-social, appears clearly, when we consider which system is most akin to the principles of social policy.



What do we mean by "social legislation?" We do not mean such questions as these: insurance-bills or state-pensions; compulsory insurance or subsidies for voluntary insurance; viz. we do not mean questions relating to the extent, contents or form of social legislation. They are important questions, to be sure, but, because they are questions of execution, they remain of secondary importance. First comes the question, in what the characteristic of social legislation lies. Then we must first pay attention to the aim and the quintessence of that legislation. By social legislation we mean in a general sense all those measures aiming at influencing the relations between the different classes of society ; measures tending to soften the consequences of class-distinctions which threaten to injure public interests; measures all having the character of promoting social peace by improving the conditions of life for the "economically weak" in a material and a spiritual sense.

Social legislation — whether one approves of it or not is outside the question here — finds its only legal foundation in public interest, which profits by the regulations of the social laws.

When once we have abandoned the extreme individualistic principle of "laisser-faire, laissez-passé" (which is the absolute liberty of each individual to provide in his economical wants), then in taking social measures we shall always have to start from public interest; we shall never be allowed to neglect the interests of the community in order to give an advantage to certain

groups, when we want to transmute the interests of an economically weak class into legal right. Public interest should be served by every social law. In whatever light one may consider social legislation: whether as a historical product of the development of the relations of power between the social classes with regard to the division of goods, the use of the results of production — or as a question of social justice, a manifestation of reviving humanism or if you like of christian principles, so an outcome of "practical christianity" — or as an expedient remedy to correct the existing laws, so as a necessary complement of the existing system of production — one characteristic may not be absent from social measures, by whatever political party they may be proposed, viz. that the measure is based on public interest, that society as a whole is not sacrificed to the special interests of the group or class for whose advantage the measure is to be transmuted into legal right.

Social reform as a "historical product." When we take a bird-eye's view of the development of social ideas about "State and Society" in the time after the French Revolution, we shall see that this period is characterised by an important fact in history viz. the steady growth of democracy, the transfer of power from the hands of historical families and classes into those of broader social groups. This process takes place in all countries, in some quicker, in others more slowly: but it is international. Ideas about the task of Society and of its agent, the

State, have altered through the influence of this process; more and more every group of the population participates in the government and in the making of laws. With regard to constitutional law it has brought about the change from antiquated governments to the constitutional system with or without a sovereign; and nearly everywhere "the people" have conquered the right to be represented and to have a share in the making of laws, and the parliamentary system has been adopted.

In close connection with the constitutional development and as its principal cause, we see economical conditions change. In the "good old times" the tie between employer and employed was a much closer one than now. The greatest source of a nation's prosperity was its agriculture, and "the labourer" belonged to the family of the peasant or the farmer; there was much less industry but there too the bond between employer and workman was a much closer one than now.

But gradually those ties got looser and looser till in our days they were practically broken. The agricultural State developed into an industrial State; the increase in population led to more intensive production; the natural resources were made more productive by human labour, the factors "capital" and "labour" began more and more to complement the factor "nature"; great-industry arose, the factory replaced the simple workshop, the concentration of industry began. In consequence of this natural development, accelerated and supported by a gigantic revolution in traffic, the economical depen-

dency of the labouring classes came to an end. With the political emancipation of the masses labour became an independent factor and alas often came to oppose capital.

Though the political revolution brought about political equality, the economical change brought about a greater degree of inequality. The labouring classes were more and more thrown upon their own resources; through the growing influence of capital on production and especially through the technical development of modern industry it has become more and more difficult for the individual workman to arrive at economical independence; a permanent class of wage-earners arose, more and more alienated from the class of employers.

This growing alienation and the discrepancy between the wants of the workmen and their actual condition brought about the impulse to put an end to their economical independence, at least to temper the unfavourable consequences of the modern system of production. As social distinctions became more evident, the desire arose to neutralise the apparent opposition of social interests by means of "social reform", or at least to minimise it.

In that process of development we distinguish two stages: the first, in which the struggle between capital and labour especially bore a constitutional character and now only bears that character in part; the second stage, which we have just entered upon and which bears an economical character. The purely constitutional questions, such as refer to the form of government, political res-

ponsibility, the mutual relation of the governing bodies and their relation to parliament, questions whose solution have caused bloody revolutions, seem to have lost their importance for Western Europe: "elles ont rempli un siècle de bruit et elles n'existent plus. (Dépasse: Transformations sociales)."

In Holland also apart from the electoral question it is the economical problemy of the relations between capital and labour, the unemployed, wages, insurance, protection of labour etc. which rouse discussion; here as in other countries we understand that in order to preserve the balance more attention should be paid to the basis of the social triangle than to its top. We have to accept as an historical and irrefutable postulate that the principle of social reform whether we like it or not is the instrument to promote that balance.

Irrefutable, also for reasons of expediency, namely to act as a corrective upon the workings of the excellent system of production, which has enhanced the nation's prosperity beyond expectation through the development of trade, traffic, industry and agriculture. But by the side of this hopeful reality there is the lack of stability in the workmen's material prospects, treated by the State, the protector of the whole community as the actual condition of things. The social development brings strongly into evidence the unfavourable consequences of the lack of economical independence of the labouring classes, their uncertain existence in case of old age, illness or disablement. The State, faced with the social

distinctions and their resulting dangers, acts wisely by improving in its consequences the existing system of production which has given favourable results for the nation's prosperity as a whole and so should be maintained. Therefore the State strives after social reform as an instrument to influence the relative division of wealth. It is of small importance, whether the State does so compelled by social development, by the budding feeling of solidarity or as reflection of the coming changes in relations between classes: the State acknowledges that the system of production protected and made permanent by her, is the cause that the labouring classes are wholly or partly unable to provide for themselves in case of old age or disablement. Then the social legislator sets out to improve the conditions of life for the workmen, which he thinks a boon for the whole community.

The idea that the existing state of things not only requires improvement but that improvements are possible underlies social reform by legislation; social reform takes up its position opposite socialism trying to lessen the causes of friction between capital and labour, to replace class-hatred by the conviction that not strife, but peaceful co-operation of all social ranks are needed for the progress and the success of democracy.

So we see that social reform aiming at social peace, considering the interests of the whole community and not of some classes only, is one of the factors of a democratic government, which may never treat any private interests with especial favour.

Still another idea underlies this striving after social reform, which is not only a historical product of altered relations between classes, or a measure inspired by social expediency, but especially the outcome of a sense of social duty. Justice demands it.

It is obvious that those people who have to pay most for the execution of social reform bills, at first demurred and did not at once draw up under the banner of "social reform". But the more they heard of the "needs of the people", the more convinced they became that improvement is necessary. And though the material prosperity of the labouring classes has advanced and the facts have refuted the theory of relative "verelendung", yet it remains imperatively necessary to raise the standard of life, in a material, but especially in a spiritual sense, of the labouring classes. The efforts to fight abuses with social legislation — however imperfect they may as yet be — are revelations of a slowly permeating conviction that the social problem is one of a moral order, as the philosopher Lange said already in his "Geschichte des Materialismus." (1828).

Though the advocates for state-compulsion, the adherents of subsidy to self-help, and those who demand a greater co-operation of the church may differ among themselves, they all agree that social reform is a moral duty towards their less-favoured brethren.

This principle was already put into words by the German Emperor in 1881 in his famous message: "that also those who through old age or accidents become

unable to earn their bread, have a lawful claim on a greater degree of state-provision than so far has been the case."

* * *

Which of the two systems of commercial policy : protection or free-trade, is most in keeping with the above-sketched principles of social reform ?

"The bare fact of presenting the tariff-law in question may bring the conviction that it is our serious intention to bring about social reform", Mr. KOLKMAN said in his explanatory memorandum, which might lead the reader to think that a social reformer has to stick to protectionism. Where protectionists have emphasized the connection, we may ask the question : is protection in keeping with the *principles* of social reform or is it opposed to it ?

As a first general principle of social policy the efforts were mentioned above to minimize the evil consequences of the "capitalistic system of production" for the interested groups of labouring classes and in this way to promote social peace.

The accusation of protectionists that free-trade works capitalistically, that it exists simply in the interest of great-industrials and wholesale dealers, that consequently unchecked free-trade is the cause of the opposition between capital and labour, a danger for social peace, is made in defiance of the historical development of social relations, which, uninfluenced by the system of commercial legislation, has given birth to the capitalistic system of

production and to great-industry. The free-trader does not say that free-trade is a panacea for all the unfavourable consequences resulting therefrom. But the system of commercial legislation in its turn has some influence on that tendency to concentration in industry and the ensuing result of social oppositions. As far as the "division of property" is concerned, protection has rather a capitalistic tendency; consequently it is opposed to the principle of social reform in two respects: Protection artificially strengthens the tendency towards concentration of industry; the elimination of foreign competition furthers great-industry, hence the unequal division of wealth. Repeated tariff-modifications — for the first step is always followed by others and the road leads ever higher as experience has shown in protectionist countries — cause repeated alternations in industrial life, and every increase in the tariffs turns out to be in favour of great-industry, the chances of expansion being greatest for employers with the greatest capitals at their disposal.

So we see that protectionism artificially favours great-industry at the expense of the smaller trades. Protection furthers the formation of cartels of trusts; hence again concentration of industry; if we may say that free-trade with its foreign competition works as a brake, then protection works as a lever. The more the "endless screw" of a protectionist tariff is turned on, the more the formation of cartels is encouraged. Cartels do not root in the system of commercial legislature — protection is *not* the "mother of trusts" — but in the tendency towards the concentration

of industry. Under a system of free-trade cartels may even work beneficially. By putting an end to the anarchy in production the danger of overproduction becomes smaller, and the consolidation of different trades into one great-industry may reduce the cost of production — by both which circumstances the producer as well as the consumer benefit.

But — as the experience in protectionist countries teaches us — protection leads cartels to raising prices at home and to “dumping abroad”. Through the latter evil protection becomes not protection of national labour but of foreign industry. So protection makes a present to other countries of orders that could not be executed at home because of the prohibitive prices. Indeed it is easy to be generous with an other man’s money. We now see the protectionist argument: “the foreign countries pay the duties” in a new light.

In the explanatory memorandum free-trade is also reproached by the protectionists with “overflowing the market with foreign goods”. But this phenomenon is one of the results of protection and not of free-trade; besides the poorer classes profit by the lower cost of production (we should think in this connection of our wharves for iron ships, which can get iron from Germany much cheaper than their German competitors so that the latter can no longer compete with them).

It appears from all this that the economical result of protection, the greater tendency towards great-industry, the monopolising of the market by trusts, the tendency

towards over-production, hence the benefits for foreign markets, the difficult conditions for production by our own industry, the booming of the prices for home consumers and buyers is not only anti-social, so opposed to the principles of social reform, but also anti-national.

Social reform — this was the second principle we wish to discover in it — is meant to serve the interests of the whole community; with that intention it will alter the division of property by taking part of the national income — so also part of the fortune of the numerically small class of well-to-do citizens — in order to benefit the many, the popular classes. Consequently an attempt to make legislation answer its purpose of watching the interests of all classes.

Protection is the opposite of this; it is “sonderinteressenpolitik”, a policy of special interests, which at heart is nothing but particularism, and always leads to class-justice, to favouritism for relatively few at the expense of the many who can least afford it.

The flour-duties, mentioned already on page 36, are an example of this.

In the tariff-bill was inserted a protectionist duty on wheaten flour not of 30 but of 40 cents per 100 KG. This duty would benefit 17 flour-millers whereas the common interest would be injured by it. The total consumption of flour of wheat was then estimated at about 450 million KG., of which 175 million KG. is imported

and 275 million KG. is produced by Dutch mills. The 17 flour-manufacturers, already united in a cartel, would be enabled to raise the price of their product about 40 cents per 100 KG., so that the Dutch nation would pay $f\ 700.000$ in duties, and $f\ 1.100.000$ to the flour-manufacturers for the 275 million KG. they produce. As the import-duty was estimated at no more than $f\ 400.000$, the 17 manufacturers would divide the pretty sum of $f\ 1.400.000$, paid by all those who use flour; in the first place of course by large families, so by the labouring classes.

That protection is really an advantage for few at the expense of many, we also saw when we considered the duty on leather. The manufacturing of leather employs only 2332 people; whereas the shoe-industry, which uses leather as its material, employs no fewer than 31587 persons.

That protectionism contains the germ of class-justice and leads to it by its system of benefiting special interests, is proved by the tariff-history in strongly protectionist countries.

The history of the agrarian Junker policy in Germany shows conclusively that the Hochschutzzöllnerei was seized upon as a measure sanctioned by law in order to maintain in their domineering social position the class of landed proprietors, who have always been as well in political as in economical respects the first class in the State.

The history of the trusts in Germany also shows that protection is only a "national power" (Schmoller) in this

sense of the word that the small part of the nation that can influence legislation, derives from it its power over the rest.

The monopolistic steel- and coal-syndicats of Germany by their monopoly in the home-market have a political and social influence over the manufacturers of finished articles, though the latter employ thirty times as many workmen. And in so-called democratic America protection has resulted in subjugating the people to the syndicats-oligarchy of the protected trust-magnates. These monopolists — according to FRANKLIN PIERCE in his work "The Tariff and the Trusts" — crush the smaller manufacturers, make dependent workmen of thousands of independent masters; the tariff is no longer a protection, it has become plundering; it has degenerated into an alliance between corrupted politicians and manufacturers exclusively aiming at favouring private interest at the expense of the people. A republic where a dozen industrial dictators put their foot on the neck of millions of citizens is an absurdity — as was once said with reference to the American trusts.

So we see that Protection lacks the third characteristic of social reform: viz. the character of democracy which should be found in it, if it claims to be a product of the historical-economical development. Indeed a protective tariff is anti-democratic; privileges, favouritism have had their day. Protection brings again to life the old-time privileges and favouritism; it introduces again the system

of arbitrary division of property and profits. It would indeed reintroduce the world of the "ancien régime"; favouritism by means of a tariff is the struggle of obstructing and arbitrary measures against progress, against modern inventions, also against the development of modern science which helps to augment national prosperity by enlarging its power of production. Raising the tariffs means raising a barrier against the power of machinery, against the wonders of steam and electricity, which ought not to be enclosed within bounds.

Giving a few privileged persons a legal right to tax the people by making their houses, their food, their clothes cost more, is also at variance with the modern idea that taxes are due to the State alone.

It is evident that a system of taxation for the profit of private persons makes class-strife more virulent.

When social reform means: altering the division of property in favour of the lower classes, then our sense of fair play cannot suffer the fiscal hand to take from them what the social hand will give them. Indeed the rule that the right hand should not know what the left hand doeth should not be applied in such a case!

With reference to the division of property the tariff-system condemns itself as a brake on social reform, as an impediment to social peace.

There is still another connection between democracy and tariff-policy. Freetrade cannot — and in spite of the assertions of protectionists does not pretend that it can — remove the causes of friction between capital

and labour. But while protection continually leads to subordinating the will of the State to the selfish wishes of small groups and their interests, free-trade is a school that teaches how private interest should yield to the interest of the community. And Dietzel justly points out that it is a school in which all working groups and classes are trained to the conviction that all the alternations in their economical condition, their ascending or descending on the social ladder, are inevitable in the interest of the community, because without those alternations there could be no progress; that the economical process of development cannot attend to the private interests of some classes. If formerly the State has put an end to the old manorial rights of jurisdiction, to the monopolies of the guilds and the municipal privileges such as market- and staple-rights; in a word, if the State has called into existence national competition, it may no longer encourage modern feudalism of private interests which consider themselves threatened by international competition.

Neither can those who plead for social reform as a practical remedy to correct the unequal division of property consequent on the existing system of production, bring forward the idea of a tariff.

The labourers' share in consumption cannot be augmented by extending indirect taxation of which they have to pay the greater part.

Besides in order to augment the labourers' share of

the social dish, that dish should not be made smaller. On the contrary, the greatest possible production should be aimed at, the road to a maximum of production should be left without barriers, which can be attained by applying as much as possible the system of international division of labour. This can only be done by free-trade, not by protection. That other nations intentionally diminish the advantages of free-trade, is no reason why we should do so, and why we should make our share in the international division of labour smaller.

As little does social reform aim at reducing the effective income of the labouring classes by making the necessaries of life dearer. The lives of the poor should not be made more difficult still by an artificial rise in prices as a consequence of protection, only in order to make industry more profitable to the employers.

More profit can only be obtained, when the manufacturers can make better prices; therefore they want foreign competition to be excluded. That this would lead to a reduction in prices, as protectionists pretend, or that the tariff would alter prices only slightly, as the writer of the explanatory memorandum tried to make us believe, is not in accordance with reality and with the results of protection in other countries.

We understand that the labouring classes did not accept the assurance that they need not fear the phantom of "everything will become dearer", when the explanatory memorandum itself acknowledged that "it may be possible that the price of some articles of consumption will

rise, and to such a degree that some moderation should be used in taxing such articles as are all used by the less well-to-do people."

Which were those articles? Too many to enumerate them all: we only mention some: dry goods and good-stuffs, made garments, hats and caps, unbleached cotton, shoes, leather for soles, flour of wheat and rye, wooden shoes, dried fish, butter, margarine, oat-meal, starch, sugar, furniture, pottery, thread, blankets, mattresses, lamps, brick, tiles, planed wood, oranges etc.

When the prices of all these articles are raised, all those additions together not only influence a working man's budget, they oppress it. Evidently there will be less left to acquire a little share in those immaterial things that raise the moral standard and promote spiritual development, if they have to pay more for their material wants, for clothing, food and rent.

The decrease in the buying power of the labouring classes is also a great danger to the middle classes. That duties on articles for general consumption are in contradiction to social reform appears also, when we consider the purpose of housing improvement and of the wider range of general hygiene.

Legislation wants to lead to the improvement of workmen's dwellings... but it raises the price of building by imposing duties on all building materials from the foundations to the roof.

It wants to improve the nation's health by fighting several diseases, which is indeed praiseworthy — but

at the same time it makes the conditions of life harder for the working classes. Strange contradiction indeed! The experience in protectionist countries shows that duties on food are prejudicial to national health.

Gothein in his booklet: "Die Wirkungen des Schutzzollsystems in Deutschland" (The Results of Tariff-protection in Germany.) provides interesting information on this subject; he shows how through protection the dearth of meat and the higher prices of bread and other foodstuffs have led to insufficient nourishment in the labouring classes, which has caused a decrease of energy, a weakening of the power of resistance; how the rise in prices has been accompanied by an increase of tuberculosis and infant mortality. And medical evidence may also be of some value, though a "moderate" tariff may not lead to such bad consequences as the German high tariff. Professor dr. Kirchner says: „An effectual struggle against alcoholism can hardly be fought without an economical improvement of conditions, without good food, clothes and houses".

When homes for inebriates are opened, and alcohol is taxed heavily, not only to enrich the treasury with "the money of sin", but also to put an end to intemperance, then it cannot be admitted that at the same time harmless, simple delicacies become dearer, that plain food is made more expensive, that life is made harder for the workman. How can tuberculosis ever be struggled with effectually, if one begins with nourishing the people insufficiently. One had better listen to the Munich hy-

gienist Gruber who says: "Those are certainly right, who look for the stamping out of this infection towards a social reform, which will give a greater share of the national income to the lower classes of the population".

Another result of the rise in price of some articles is the increase in the cost of production, which must lead in some industries, especially in those not protected, where the new tariff brings no profit or even a loss (e. g. industry for export) to an attempt at lowering the wages.

As for the rise in wages promised by protectionists, the workmen know quite well that even in protected industries it is not readily conceded, that even a rise in wages to compensate for the growth in prices, is usually only given after a bitter struggle with the employers. So in this respect too, tariff-protection is opposed to social reform, it leads to labour-conflicts; a proof of this is that relatively strikes are more numerous and extensive in Germany than in England; it excites justified resentment and ill-will; it sows hatred and envy not only between the different branches of industry and between employers in the same branch, but also gives food to discontent among the workmen, all which social reform tries to prevent.

In the same way the prospect of "extension of industry," which protection aims at, seems to us an illusion of the protectionists. That "national industry is kept up by imposing duties on such articles as can also be made in our country at a reasonable price and in sufficient quantities", is at variance with the experience in pro-

tectionist countries. The promised stability in the labour-market has not at all been attained there, unemployment has not at all disappeared there; the utopia "more work and higher wages" is not to be expected from a protectionist tariff.

The always voluntary division of favours here, and consequently of injury there, must lead to a shifting of labour, to a moving of the opportunities for industry, but that does not always mean an increase in work. In the branches of industry that profit from tariff-reform there may come a greater demand for workmen, in those that suffer by it the demand will diminish and the final result will not be more favourably than before. For we cannot say that there is much stability in America when we see that in 1900 the greatest number of factory-hands at the time of the census is 7.069.145 and the smallest 4.524.466, so in one year a difference of a million and a half.

How can it be otherwise? The crises and alternations in prices enhanced by protection exclude stability of trade.

When the import is diminished by protection, then the amount of value we have to pay for it to other countries diminishes also; and as that amount represents labour, our home production for export diminishes also. In that way the export industry suffers; consequently there will be less work.

Besides: if it were possible to "make" more work here by diminishing the import, that is by producing here the articles we now buy abroad, then we do not want

protection. If our factories cannot make head against foreign competition, because the limited sale makes the cost too high, why do they then not increase the production? Why not work in that direction without waiting for the help of the legislator? If really we could think of the principle that a government will use the tariff as a tool to prevent unemployment, then at every menace of a reduction in the market the legislator would be appealed to to avert that danger by tariff-reform.

Why find new work and new markets, if the government has the means to make such a search unnecessary?

But we know that the government cannot do so; it can only rouse a false hope by promising that protection of national labour can bring a "permanent improvement" with regard to unemployment. Promising and doing should be one! Yet we refuse to believe that a "moderate" rise of import-duties is the solution of the question of unemployment.

Those also, who prefer to consider social reform as social justice, should hesitate to adopt protection.

If people consider the insurance-bills before everything else as an acknowledgment of the community of its duty to support the disabled and the old-aged, then the community should provide the funds and not those who are to be supported. And no more than may be deemed necessary for the purpose, whether one calls it insurance or charity.

From a fiscal point of view protection is at variance

with the principles of social justice as well with regard to the whole community, that is those who can afford it, as with regard to the less well-to-do.

The idea of reserving the surplus-returns of the increased tariff for the expenses of the insurance-bills is of German origin; in Germany the higher proceeds of the late rise in agrarian duties were appropriated for the insurance for widows and orphans.

It is difficult to calculate how much the people pay because of the higher prices in excess to what the fiscus thought it would bring in; but the member of the German Reichstag Mr. GOTHEIN asked whether it was not a shame that the government intended to set apart for the widows' and orphans' insurance only $\frac{1}{8}$ of the increased returns of tariff-reform and only $\frac{1}{20}$ of what the raised bread-prices cost the people. Indeed the experience of Germany, which we regret to say is so often imitated here, may teach us that what is done there for social reform, is again thoroughly spoiled by the "Hochschutzzöllnerei."

In that way social reform is like carrying coal to Newcastle; it will have no lasting results. No wonder that the labouring classes feel discontent and resentment, that the distance between employer and workman widens!

A State which tries to give to a few men the monopoly of the home-market, asserts by doing so the lack of liberty for most of its citizens, in spite of the latter's just claim to equality before the law and to equal protection of every one's liberty to work and to trade where

he likes. The privilege of some to enrich themselves at the expense of the masses, is at variance with the principles of justice.

The great inducements to progress are liberty of action and security of justice which guarantee liberty of labour and of trade. Protectionism tends to oppress those liberties and to replace the will of the government and the legislator by the will of the manufacturers.

Protection of private interests leads to all sorts of intrigues and machinations, because it leads to making legislation a political game. In that way economical competition is replaced by political rivalry; this policy of intrigues and corruption, of manoeuvring to obtain the legislator's protection, bears an oligarchic character as it serves the interests of some at the expense of public interest. "Le Protectionisme est la substitution de la concurrence politique à la concurrence économique; c'est l'émolation dans le pillage de la communauté" ¹⁾.

In the long run protection leads to a weakening of the sense of justice in the nation; also to a weakening of the self-confidence of the nation when it is taught to believe that assistance can be bought from the legislator, that he can grant a legitimate privilege to some, which entitles them to exploit the wants of the people for their own benefit. In this respect we should remember one saying of the great Cobden after the victory of the Anti-corn-law-league: "The struggle for free-

1) Journal des Economistes. 1901

trade had begun as a struggle between free import and protective duties; but in the end it was fought for the prosperity of the people, of the labouring classes. Greater and nobler motives have ennobled the struggle for free-trade. Protective duties should not be considered as a safe-guard for agriculture and industry against competition or as a burden on export; in reality they are felt to be an injustice towards the poor, an exploitation of the labouring classes."

Social peace! Great words? Yes, for him who cannot or will not understand the signs of the times, for him who does not see that the deeper causes of bread-riots and wanton disorderliness of the people root in the sense of suffering wrong. But to him who considers social reform as a counter-weight against class-strife, it is evident that protection is not entitled to don the fine garment of „social reform”; indeed that protection leads to disturbance of social peace. The character of discord and strife, which form the basis of protection and which by retortion, leading to tariff-war and retaliation, threatens to disturb the peaceful relations with other countries, cannot form part of the principles of unity and mutual help underlying social reform.

The adherents of freetrade are aware that a community without differences between the industrial classes, is a utopia; but this is only the more a reason for them to prevent that protection should add avoidable causes of dissent to those that lie in "the nature of

things" and that are unavoidable in the battle of economical interests.

They think it too dangerous and opposed to public interest to throw the oil of protection on the smouldering, sometimes blazing fire between the two social powers: capital and labour; they think it unsocial to stir up the fire that social reform intends to extinguish.

Therefore it is imperative, not only for a natural development of trade and industry, but especially in order to encourage peace between the different classes of a nation, which should be one and indivisible, that those, who seriously wish for social reform, should raise the lamp of economical truth, the freedom of trade.

CHAPTER VII.

The reservation of the home-market.

§ 1. Fair-trade arguments.

In the explanatory memorandum to the Dutch tariff scheme the Government said, "that, in fixing the amount of the import-duties they had had regard to the difficulties experienced by the manufacturers and commerce of the Low Countries when faced by the often excessive Protectionism of nearly all the European States, the United States of America etc." And the ministers declared that "they would gladly embrace Free Trade principles were they not afraid that they might so induce the ultimate stagnation, if not the decay of Dutch manufacture, in view especially of the course of events abroad these last fifty years." It was the intention to promote national labour in its struggle against foreign competition. But they asserted that the proposed rates would not establish in Holland a commercial policy such as obtains almost all over the world. The minister of finance declared that he would not be willing to introduce such high duties that importation should be prevented,

but he wished to give some help to the inland production against foreign competition.

The chief aim of the revision was indeed to promote national labour, to reserve the home-market for national industry.

But the inexorable consequence of the protection of national labour and of equalizing the conditions of production by means of a protective tariff is necessarily that import is prevented; nevertheless the Government declared at the same time that this would not happen. So the scientific theory of the Dutch protectionists is in contradiction with itself again and again.

Their whole "system of rational commercial policy" is nothing else but "fair-trade". They do not believe in the principles of protectionism, they "would gladly embrace freetrade", but at the same time they try to introduce protective duties, because other countries have protection.

They only wish to "give some support to national industry against foreign competition", and they "expected that in Holland many industries would grow up, which should be possible here by nature, but which cannot exist because Holland is the outlet for the over-production of foreign countries, the dumping-ground for other nations.

§ 2. Dumping.

One of the principal arguments of the proposers of the Dutch tariff scheme was the neo-mercantilistic contention that Holland on account of commercial policy ought to follow the example of other nations because Dutch in-

dustry and commerce suffer from foreign tariffs. The complaints were of two sorts: 1^o. foreign countries close their markets by preventing importation of Dutch articles, and 2^o. the foreign industries are overflowing our national market with their over-production and sell their articles at very low prices so that our industry cannot compete. And the second contention was the main argument for proposing protection of the national industry.

The explanatory memorandum of the tariff-bill said without any proof that it might be accepted as well-known everywhere "that Holland has become the outlet for the overproduction of other nations". "Importation at very low prices may be a profit for consumers, many industries, of which the Government supposes that they could grow up here very well under normal conditions, are restrained in their development. And when Dutch competition is once put aside, then the foreign competitor can charge the prices for importation in Holland, which he thinks in his interest."

Therefore the Government said that they were afraid lest the free import might induce the ultimate stagnation and decay of national industry. Therefore Dutch industry and commerce were declared nearly dead, therefore the Dutch consumer was frightened that he would be ground by the foreign manufacturer, who would extort high prices from him. Let us therefore try — so was the conclusion of these alarming intimidations — to shut the doors to the stranger, for he is the natural enemy of the national producer and consumer; although he brings

cheap food, he ruins national prices; let us therefore try to introduce protective duties in order to reserve the national market for our national industry.

So this is the chief aim of protectionism, founded on vague expectations, unsound knowledge and untrue suppositions; this was also the chief aim of the tariff-reform.

It has been repeatedly pointed out, that this chief argument of the Bill was an erroneous one. It has been asserted, that the sustainers of tariff-reform, as they acknowledged the logics of freetrade-theory, acted simply from a point of view of expediency, instead of maintaining the principle of protectionism. But by doing so, they dig away the ground under their very feet. In basing the tariff-reform on conditions, to which they supposed our country was reduced, they were obliged to prove, that in fact our national industry was in such a bad condition. In the report of the preparatory Committee this was justly pointed out: "as in the explanatory memorandum of the Bill these alleged conditions are so strongly put into evidence, and are taken as the deciding element in the whole question, one might expect that the government would have shown in a striking way how unsatisfactory present conditions are; and would have proved, that the cause of these conditions was to be found in our actual commercial policy; or would at least have demonstrated that a change of system would improve things."

Yet neither the government nor the sustainers of the

Bill in the committee, or out of it, even tried to do this; they only gave vague expectations and speculations, and so gave the impression, that they have not fully realised either the really prosperous condition of our industry in general, or the extent and the consequences of the alleged evil of foreign competition and the apprehended overflowing of the home market with foreign articles at dumping prices. Just as little have they taken into consideration, whether really the highly recommended means of a protective tariff in general and the proposed tariff in particular would suit the alleged but never proved ailment. The assertion, that foreign competition in the form of offers beneath cost-prices, should have reduced Dutch industry to a condition of depression and decay, has been proved to be altogether contrary to the facts. National industry is not on the verge of ruin, as protectionists pretend, on the contrary it is hale and sound, is founded on a solid, natural and not artificial basis, and is full of youthful strength.

This fact already deprives the dumping argument of all its value as to practice; and as our industry is growing and flourishing, we may maintain, that tariff-reform is not at all necessary to educate industry. Whosoever inquires into the economic condition of the country without being prejudiced, will find that we are prospering under the actual system of commercial policy. This has been proved with the facts innumerable times from the side of freetrade; the protectionist minister of the agriculture department himself has repeatedly pro-

vided the data; and when the Labour-bill was discussed in the First Chamber of the States-General a part of his reply was devoted to the prosperity of our industry.

The declining-argument, the basis of tariff-reform, has been proved to be untrue; and as the basis did not hold — the whole structure fell together like a card-house.

Neither is it true, that Holland has become the country, where the foreign over-production is sold, and that our industry cannot develop through foreign dumping-sale. In the Report of the Committee of the House it was pointed out, that f. i. exactly the spinning factories and the flour-mills, which had to resist dumping prices, were most flourishing.

By means of the report of the Agriculture Department relating to Commerce, Industry and Navigation, in 1911, we can inquire into the individual branches of Industry. And then we see, though we find foreign competition mentioned now and then, that the general condition is called "satisfactory" and "prosperous" in the main; with the exception of 18 out of 153 industries which are called "not yet" or less "flourishing" or "unsatisfactory"; and 4 of 17 sorts of articles of which it is said, that they are imported at "dumping" prices caused by the overproduction in foreign countries at "abnormally low prices, often below cost-price".

The practice of dumping therefore only exists with respect to 17 articles; yet it was introduced as a general phenomenon and made the basis of tariff-reform. It is

not even pretended that dumping causes depression in those branches of industry; for in the Report 13 of the so called "dumped" industries are called "satisfactory".

An attentive perusal of that important document brings us to the conclusion, that the condition of Dutch industry does by no means justify the apprehension of stagnation or decay if we continue our liberal commercial policy; that the overflowing of the home market with foreign commodities at dumping prices is not a general phenomenon but an exception, a temporary evil for a few industries; and that our industry can perfectly well stand the competition of foreign industries as well in the home market as in foreign markets.

Therefore our economic condition at home should not by any means induce us to make dangerous experiments with tariff reform as a means of "educating" or maintaining industry. But even if there were ground to be anxious, protectionism would be a defective remedy to cure the alleged evil of foreign competition.

Nobody denies, that foreign duties harm our export trade; though certainly there is some exaggeration in this assertion. Our export statistics prove — notwithstanding the serious defects that make them little reliable — that even in the protected countries our imports are daily increasing. But the harm that is done by foreign duties, will not diminish if we also resort to protectionism; on the contrary, we will have to face two new causes of loss: — high cost of production, and the raising of foreign duties as a means of retaliation.

Neither do import duties give an effective remedy against the evil of dumping. Ever so many times this has been asserted by free-traders; we will only resume the chief arguments.

First of all protectionists consider as "dumping" any import of foreign commodities at prices, at the rate of which the home industry cannot produce them. So did the tariff bill: it called "unnaturally low price" any price which is lower than the home producer is able to compete with. Why must Dutch consumers be deprived of the advantages of natural conditions in other countries? If they should be obliged in future to pay for national products more than they used to do for the foreign ones, it is greatly questionable if they will consider these "unnaturally high prices" as a boon. And probably we should soon find here the same anti-national price-policy as we have found in protective countries: viz. to sell commodities cheaper to foreign countries than at home.

It is exactly by means of protection that foreign industrials are able to keep prices high and for that aim to restrain production or supply in the home market. To maintain the high price in the home market the foreigner is supplied with part of the production at a lower price. But this does not yet prove that that price was an "unnaturally" low one, and even less, that products are sold below cost-price. It is even possible that the foreign monopolist organisation uses the gains, made by the high price at home, to continue an

export, that else would make them lose, in order to prevent new factories from being founded, to ruin existing ones, or to secure new regions for sale. But it is obvious that even in those cases selling below cost-price cannot be a normal way of doing business.

Dumping is only possible if different circumstances co-operate. In the first place, foreign duties must be imposed on goods that are exported; further there must be a trust in the branch of industry, that produces the dumped article. And last not least, as prof. D'AULNIS DE BOUROUIL showed in one of his treatises, it will quite depend on a combination of figures whether the trust will be able to export below cost-price in order to dump foreign markets. In order to do that, it will be necessary to sell at a higher price than the cost-price of the over-production, or at least at that price. And it is evident, that as all these circumstances must co-operate to make dumping possible, this cannot be a general phenomenon.

Protectionists often make the mistake, that they represent as a regular occurrence, what is of only temporary importance. It is evident that foreign factories do not arrange their business in such a way as permanently to produce too much, and to sell the surplus below cost price to other countries. This would be to throw money away year after year. The foreigner just as much as we ourselves does not work only in order to work but to make profits, and it is not his intention to give presents to the consumer in other countries.

The fundamental fault of the argument of foreign

competition is the supposition that foreign producers make it their custom to overflow the Dutch market with their goods, and that their prices in our market are "unnaturally cheap". And secondly, that our Government would be able to verify that policy. It is asserted, indeed, that it would be "quite rational" to "equalize the conditions of production", not only of the few (as we saw) dumped articles, but in general of all goods "to neutralize the advantage the foreigner has in his tariff." It is taken as an axiom, that national industry must be protected against the pretended manipulations; that Holland is the dumping ground for foreign overproduction.

So tariffreformers go much further. They do not only use foreign competition as a pretext to raise duties against those articles, that are said to be imported at dumping prices. But also, to raise duties in general without regard to the country the goods come from, and even without proving in the least that they are subject to any dumping practice of monopolist organizations.

Protectionists themselves have found, that this will not do. At least, they declared explicitly, that properly "one ought to examine, for every branch of industry separately, and for every country, what is the advantage the foreigner enjoys, in order to be able to fix the neutralizing duty for each article separately against each country". But at the same time it is admitted, that "this is practically impossible". Thus it is acknowledged, that the government is *not* able to fix the prices, at the rate of which goods ought to be sold;

to judge, which industries "are natural" to Holland, and which not; or to say, to which branches of industry "some support" ought to be given.

So one might expect, that tariffreformers would give up their vain endeavours? On the contrary they say: "therefore we must content ourselves with a tariff, that is directed towards the same aim, but is based on considerations of a general nature." !!

This irrational conclusion proves better than anything else that the tariff-bill would by no means have given an effective remedy, also that protection always aims too far, when it wants to give permanent panaceas even for temporary evils.

§ 3. Neo-Mercantilism.

Commercial policy is principally a question of tendency; and in choosing a new course, we must first ask, whither it leads. In questions of legislation the future is more important than the present. The explanatory Memorandum to the Tariff-Bill tried to convince the public that it did not lead in a direction which would finally end in a commercial policy as now obtains almost over the whole world, and the Minister of Finance declared: "that he would not be willing to introduce such high duties that importation should be prevented."

Tariff-history in protectionist countries teaches another lesson. Everywhere duties were only "moderate" at first, but soon the good intention not to proceed farther was

forgotten. Whether it was the government's intention or not, those whose interests were concerned in the tariff, have always been able to bring about that after the first step other steps followed; those who were "moderately" benefited did it out of mere greediness, or because the favours, bestowed on them, were not thought sufficient; and those, who had not yet profited, asked protection, because their cost of production had increased through the protection of other branches of industry. The history of modern tariff-policy teaches us, that a "moderate" tariff has always been the first step towards newmercantilism. Therefore the dangerous point of the Dutch tariff-bill was also, that it needs must lead towards a reintroduction of the old and antiquated economic policy of mercantilism, be it a little bit modernised. Protectionism after all is only the old doctrine of the commercial balance, that was brought into practice in the times of Colbert. That system tries to cultivate the art of keeping the riches viz. gold and silver in the country and at the same time acquiring the riches of other countries by making the debts to foreign countries as small as possible and the claims as large as possible, in order to make the commercial balance favourable. To obtain this, import of precious metals had to be promoted and export prevented. With this end in view the import of goods from abroad was thwarted by duties, except that of raw materials; no export of inland raw materials was allowed and export of manufactured goods was encouraged by giving export premiums. In

this way the government tried to reserve the home-market for the national industry, in order to enlarge the regions for sale by a system of colonisation.

A high tariff was at the same time considered a weapon in case of negotiations about commercial treaties in so far, that by means of a "fighting-tariff" the government tried to get reductions on the tariff of foreign countries to the benefit of the export.

Protectionism bears a good deal of resemblance to this doctrine; and the more protectionism has become the leading thought of the practice of commercial policy in the greater part of the countries, the more we ascertain a revival of the old mercantile system.

Political considerations have in particular been cause of the universal current towards protection. Political events have caused governments to build tariff-walls. After the year 1870 new states were built on the continent; the "great powers" and several smaller states were formed. The period of consolidation of "national" States had began; and they tried to consolidate their power and to develop their economical conditions making themselves "independent" from an economical point of view, after having got their political independence.

The idea of the "national state" at that time had to start from the necessity first of all of bringing unity within the frontiers of the home country. First of all the consciousness of belonging together had to be roused in all those that lived and worked within those frontiers; it was necessary to make the people feel, that the citizens of one

State had common interests, different from those of other nations, and that they had to defend them against foreigners. To consolidate nations into political unities, the idea had to be clung to, that economical and social organisation finds its most eminent expression in the promotion of "national interests".

The consolidation-policy breathed the exclusive care of "national interests", and also the doctrine of economical isolation and independence from foreign countries as to trade and industry. In this way was born the theory of the "self-contained state", which led to keeping other nations from the home market and promoted the acquisition of "spheres of interests" in oversea-countries. All this brought forth the new-mercantilism, not because economists and statesmen were not able to understand the decisive arguments of freetrade; on the contrary — and this may not be forgotten whenever protectionists appeal to Germany and America, — free trade was adhered to within the bounds of this larger national unity, so that all sorts of duties between the components of the large national unity disappeared. The fact, that in several countries relatively few monopolists and manufacturers dominated the government, was not the principal cause of the revival of mercantilism, though in protectionist countries the evil of a policy of special interests is growing up as fast as weeds. But the tendency towards protective duties after the seventies was born out of political circumstances; as Schmoller asserts, out of natural and national instincts, also in countries with

a liberal and democratic legislation. The desire of protection which in the individuals generally issues from mere egotism, was roused in the governments by a more instinctive than clearly comprehended motive, that protective duties are a means to promote the "national idea".

So the economic doctrine to give form and colour to the political conception and to serve as a pretext for the practical application was soon found.

Now it is very remarkable, that the contention of some Dutch protectionists: "that after all every protective system is based on the consideration, that infant-industries must be made strong against foreign competition" is in contradiction with the historical birth of protectionism. And professor SCHMOLLER himself, who certainly has no great sympathy for free trade — we saw that he was amongst those who initiated protective duties in Germany — declares, that protectionism does not rest exclusively, nor even principally on the economic theory of List with his educational-duties for the protection of infant-industries, but that it is simply a consequence of a striving for power and a tendency to maintain the balance of powers.

The movement for neo-mercantilism has been initiated in Germany; Bismarck used List's national system of political economy and blew new life into the old doctrine of the commercial balance. The Iron Chancellor used the protection of national industry as a political instrument to consolidate the young unity of the German Empire

against the ever reviving desire for independence of the different States. The German Empire has got political independence; so the government reasoned; now let it also be independent in an economical way; let it be able to contain itself; and to promote national welfare by national labour; and "moderate" duties were said to be the means to realise this aim by protection of industry and agriculture. Just in the same way as the recent tariff-bill in Holland — which might have been a copy of Bismarck's Bill — tariff-reform in Germany in 1879 was principally undertaken "in the interest of the public revenue; so that the raised duties had to be considered principally as fiscal duties, while at the same time the Chancellor wished to give some support to national industry and agriculture.

The same motive: reservation of the home-market for the home industry is the basis of the tariff in other countries. So in America and France the tariff was based originally on the mercantilistic idea of giving some support to national industry by moderate duties in order to hamper the export of the foreigner, as well as to force him to give a reduction on his tariff.

But nowhere has that aim of protectionism been realized and nowhere have the duties remained "moderate". This could not have been otherwise; the first step must necessarily be followed by further ones.

The tariff was introduced in Germany in 1879; already in 1887 it was raised; so has it continually been with the only exception of the Caprivi period. SCHMOLLER

has already warned against this first change, because he was afraid that Germany would become the most expensive industrial country; and that the interests of the consumers, namely of the labourers, would be oppressed too much. This was in vain: he had been guilty too of evoking the spirits of protection and they were not to be charmed away. Those whose interests were concerned in the tariff have forced the successive governments to go continually further in spite of their assertions: "that they did not intend to have a high tariff."

Every movement based on a popular and political watchword as: promoting the national industry, the reservation of the home market for the home industry; the necessity to defend oneself against foreign overproduction; the wish to raise the force of a nation, leads finally to an abuse of the instrument; and so harms the nation internally as well as in its relation to other nations in stead of benifiting it. Mercantilism forgets this truth.

The history of modern tariff policy has taught the lesson in all the countries where protection begun as a „moderate” duty, that tariffs have been continually raised. So now in Russia, Germany, France and America, to speak only of the biggest countries, duties are so high, that they harm the economical development in stead of benefiting it.

Protection has not led to a reservation of the home-market; the increasing import in protectionist countries proves, that the mercantile doctrine of the selfcon-

taining State is not conclusive, and is at its best only a political instrument to promote national unity.

• Everywhere it has become evident, that protection is an endless screw. There was no reason therefore to believe that it would act otherwise in Holland.

§ 4. Protection of National Labour.

From an economical point of view a protectionist country deprives itself intentionally of the great advantages of the international distribution of labour. It is the great force of the freetrade-system, that it promotes this territorial repartition of production and opens the way to the highest possible degree of productiveness. This distribution of labour, which enables every country to produce those goods, to which it is best adapted by nature, has the same influence as engines which save labour; it keeps the cost of production as low as possible; it brings into application the fundamental principle of economics, to obtain with as little cost of production as possible the highest possible result. Protective tariffs prevent that territorial distribution of labour which keeps cost of production low; on the contrary they raise the cost for industry in general, and so the national share in the production of the world becomes smaller.

The great advantage of the distribution of labour as well between the different trades and in those trades, as between different regions and countries, is the possibility of producing more and better without increasing

in the same proportion the cost of production and of making use of the available means of production in the most profitable way.

The profits of freetrade therefore consist in the higher remuneration that a nation can obtain for its own products in the form of a greater quantity of foreign goods. So freetraders also try to promote national production, as they wish to make its results as favourable as possible.

But this is the difference between freetraders and protectionists: the latter try to obtain more work, more opportunity for labour, more national industry and they use as a means the reservation of the home market for the national industry by hampering the competition of foreign industry by means of import duties; moreover they are of opinion that higher duties "to reward labour, will make business more profitable".

Freetraders also care for prosperity of national industry, in this sense, that they want to promote productiveness without pushing the conditions of production in an artificial way.

It seems not superfluous to point out, that also the freetrader is standing on a national point of view with his doctrine of international distribution of labour just as well as the protectionist. It has become the habit of tariff reformers to cry down freetraders as persons lacking patriotism, a sort of people without a fatherland. We find an echo of this curious opinion, which we hope that it is only a dying reflection of the anti-

quated mercantilistic doctrines, in the Report of the Committee of the Second Chamber. This says, that "the freetrade system bears a cosmopolite and international character, and no notice is taken of the special and national interest of the home country. The general progress of industry in the world is of great moment to that doctrine, but they do not care at all, if the home country does not take a part in the industrial development, and finally is almost exclusively an agricultural and horticultural State."

This assertion, as if freetraders do not care about the true interest of the country in choosing their system of commercial policy, is fully preposterous, and we must earnestly protest against it.

The whole assertion is contrary to the principle of the freetrade doctrine. The fundamental thesis of free-trade is this: that every country must produce those articles, for which it is by nature adapted. Therefore the kind of our production must in the first place be determined by the natural conditions of our country.

Parties only do not agree as to the means to realise this aim. Protectionists want to tax those articles, which could be produced at home in sufficient quantity. Therefore they find out a system of taxation, to equalise conditions of production; and at the same time they recognise, that it is practically impossible to work out this system or to apply it!

Then they call this system: "promotion of national labour."

The freetraders wish to promote the *productiveness* of national labour. They do not like to burden the people with more labour with the same production; but they want to increase the profit of labour. "National labour", that is to say the employers and the labourers in agriculture, trade and industry do not care for work, but for the remuneration in the form of profit or wages for their labour. And now this is the great loss, which can make itself more keenly felt, as the tariff-screw is turned on: that the conditions of production are made harder by tariff reform just as well to the employers as to the labourers. Employers find the cost of production increased in the form of higher prices for all the necessaries of production; the consequence is waste of capital; and the labourers find that life is so expensive as nearly to be intolerable. A protectionist like Dr. TRESCHNER, in his book "*Mehr Ausfuhrpolitik*" comes to the curious conclusion that the whole tariffpolicy of Germany must be revised from the bottom, and that, while prices of raw materials in most of the cases are the decisive agent, the export is hampered in an artificial way, and its own population has been deprived of work."

Freetraders do not care to increase a profitable exertion; but to reduce it; to save labour and at the same time to increase the production, or at least without diminishing it; they insist upon a thrifty management of the national funds of production; they claim that it should be used in the most economic way, that national

energy should be not wasted inconsiderately; in short, they try to preserve the population from the great wrong of protection, which deprives a nation of the great advantages of the international distribution of production, and reduces it to waste of capital and energy. The system of free trade, in promoting the territorial division of labour acts as a lever of productiveness, and draws all possible profit from technical improvements in engines, methods, and means of communication.

The freer trade is, and the more perfect the territorial division of labour, the more productiveness will attain its utmost intensity. The stimulation of foreign competition forces production continually to look for the most favourable conditions. In the long run this system is most profitable to the common interest of all, because it concentrates itself continually to attain the utmost productiveness.

The protective system on the contrary works as a brake, because it lacks the spur of foreign competition as its aim is to restrain competition. It prevents the technical improvements from being used, which would save cost; on the contrary it increases these. Continually new ties are being formed with foreign countries by way of navigation, railways, telegraph and telephone, which all aim at putting the products of the world at the disposal of every country, to increase as much as possible the power of production, and therewith the world's income and the part of every country in it, that is the national income. And at the same time protectionism

wants to keep from the home market those same foreign products, for the obtaining of which the net of international communication is continually made wider and denser. So protectionism thwarts the saving of labour, which is a consequence of the international distribution of labour; it depresses productiveness, it leads to waste of capital and labour; and contrary to the original mercantilistic idea, the final consequence is an unfavourable instead of a favourable balance of trade.

II.

CHAPTER VIII.

Freetrade and Pacifism.

Just as protective tariffs in protectionist countries have proved *not* to be a means of protecting national labour, or of equalizing the conditions of production, or of promoting infant industries, in short, just as experience showed that the so-called "scientific" tariffs did not realize the first aim of protectionism, the reservation of the national market for the national industry, — protectionism has also proved a failure in its bearing on international relations.

The "scientific" protectionism is nothing else but a temporary revival of old theories of mercantilism, especially of the theory of the balance of commerce of Colbertism. And the new-mercantilism is not a consequence of scientific conviction, based on economic arguments, but is in the first place regarded and used as a means of power to strengthen nationalism. Therefore high tariffs are used to restrain foreign imports in order to promote national labour; therefore "scientific" protectionists in-

vented their dumping-theory of the overflowing of the inland market with foreign goods at very low prices. So Bismarck said in 1879, when he introduced protection² ism: "Wir sind bis jetzt durch die weit geöffneten Thore unserer Einfuhr die Ablagerungs-stätte aller Ueberproduktion des Auslandes geworden. Sehen wir zu dass "wir mindestens den deutschen Markt als Absatzgebiet, "auf dem die deutsche Gutmütigkeit vom Auslande jetzt "ausgebeutet wird, der deutschen Industrie erhalten".

In his turn Chamberlain repeated this argument of the reservation of the home market for national industry, saying that England had become the dumping-ground for all nations.

And the Dutch government in its proposal to raise import duties tried in its turn to frighten the voters with this terrible dumping-phantom. But in vain; experience has shown that it was only a spectre; nowhere have protective tariffs led to the reservation of the home market; the growing imports in protectionist countries prove that the tariffwall never can be so high but a "damned stranger" can jump it. In Holland we have been mindful of this fact; and though the tariffs of protectionist countries are a substantial injury to our trade, we realize that the best weapon with which to fight that hostile wall is free imports. Freedom of imports secures for us a supply of untaxed raw or half-finished material and if need be, of machinery; and the result is, as daily experience shows, that our products can not only compete in neutral markets but are able

to overleap those tariffwalls and go farthest in the world in spite of all foreign "scientific" protectionism.

- But these tariffs are mainly regarded and used as a means of force, as a weapon in the negotiations about commercial treaties, in this sense that a high tariff is fixed not with the intention to apply it, but as a menacing armour against foreign countries in order to compel them to concede reductions on their protective duties in the interests of the exports. With this object in view, commercial treaties framed upon the principles of reciprocity are passed by the parliaments. Before entering into negotiations, each of the contracting parties takes care to raise the home tariff in order to deduct from. Mutual concessions are thus made easier. So says protectionist "science"! But the barriers are *not* brought down to a lower level under this system. On the contrary, the tariff-walls grow higher. And experience, the mother of all wisdom, shows that this "big-revolver-policy" has been a failure. In France, for instance, Colbertism had no other result than to make the other nations try in their turn to harm and injure the French commerce and trade; continual tariff-wars were carried on, which in those days led to real struggle of war. And the new-mercantilism, the "scientific" protectionism, introduced in France in 1881 as a "moderate" tariff, already raised in 1885 and sharpened in 1887 and 1892, had no other results than a tariff-war with Italy in the years 1888—1899 and with Switzerland from 1892 to 1895. And the last increase of the tariff in 1910 proves

that protective duties, once introduced, always have a tendency to be raised again and again and never to be lowered.

That same policy is pursued by the "scientific" protectionists when they talk of retaliation. Retaliation is in fact the necessary corollary of protectionism, which calls the tariff an armour.

The Dutch protectionists also said: "we want a strong armour if we wish to get the victory; our tariff has one great weakness; if we demand reduction on duties on the articles we manufacture ourselves, we have hardly anything to offer in exchange; we always stand with empty hands.

But our people did not like to be burdened with an armour. And why not? Because we have seen that in practice a strong armour is an impediment; because we don't like to diminish our export and trade; because our freedom of entry to all manufactures is of great advantage to the whole population who make use of them whether for industrial or for personal consumption. Because we have seen that the policy of using high tariffs as instruments of negotiation leads to tariff-wars. We don't like protective duties as retaliation against other countries, because we have listened to the lessons of experience. We bore in mind f.i. that professor Schmoller, a protectionist himself, has come to this conviction that "it was a duty for Germany to fight the new-mercantilism and its excessive exaggeration in Russia, France and America and to restore a prudent,

reasonable and just commercial policy in the whole international intercourse of the civilized world'. Neither did we forget that already after the second tariff-reform in Germany the whole system of retaliation proved a failure. "The advantages of the system in the years 1879—1887 have turned into disadvantages, because the other nations adopted the same system. And the most-favoured-nation-policy" has become an "all-nations-harming-policy".

And when we remembered these lessons of experience, we rejected the proposed protective armour of retaliation, because we did not like making a rod for our own back.

But there were other reasons. We see in international intercourse the means of utilising the advantages of the international division of labour, of increasing the productive power of human labour, of giving a larger share of the products of the earth to everybody, and of advancing civilisation in general. The principal task of international intercourse is the exchange of the special products of the different countries, the mutual completion of their production. The means of attaining this peaceful end is international struggle or competition. Our modern civilization is based on free competition, of course only within the barriers of law and morals. The best means of improving the welfare of the individual as well as of the nation are to be found in individual responsibility, in individual freedom and in equality before the law. Thus also free competition in the international market will stimulate the straining of every

nerve in order to raise all human efficiency and so serve the interests of all, of the individual nations as well as of humanity.

We have emphasized this over and over again because the protectionists look upon the international competitive struggle not as a means of improving the common welfare, but only as a means of national hostilities. Thus the cry for Protection is raised against the "invasion" of foreign goods. Thus it is said that in concluding treaties the aim of contracting parties is to gain an advantage the one over the other. This is the principal idea of the new-mercantilism, which protectionists try to revive in our days. While mercantilism is full of the spirit of animosity and mistrust against the foreigner, freetrade proclaims its ideals also in regard of international relations: individual freedom and equality before the law! It coins the watchword: Good-will among nations; and these great principles the Dutch freetraders wish to retain in their commercial policy; they want to follow them also in the future as the guiding stars on the way to progress and civilization. Therefore we did not want a tariff-reform, which would be the first step to the new-mercantilism; this being nothing else but the politics of former days, based on mistrust and animosity between nations, which lead to economic wars. The "moderate" tariff was always and everywhere a wedge, beginning with a thin point, but which gradually gets the breadth of a two-edged sword. The nations, which have built tariff-walls, "scientific" tariff-walls, in

order to compel the other nations to lower their walls, harm themselves as well as the others; and the negotiations only succeed after both parties having wounded each other. And the aim of all those wretched measures is to get more freedom of trade, guaranteed by commercial treaties, with the intention to enjoy as much as possible each other's products.

Does not that whole policy remind us of Plutarch's wellknown story of Pyrrhus and Cineas, mentioned already in 1623 by the great first freetrader *Eméric de Crucée*, a Frenchman, in his book of old wisdom, *Le nouveau Cyné*?

Pyrrhus, the king of Epirus, intended to wage war against the Romans and other nations, in order to enjoy their abundance and riches. And in a conversation with his confident Cineas, an orator and negotiator, who had devoted himself to Pyrrhus, this wise man asked the king: "If it please Heaven that we conquer these Romans, what use, Sire, shall we make of our victory?"

"Cineas", replied the King, "your question answers itself. When the Romans are once subdued, there is no town, whether Greek or Barbarian that will dare oppose us; we shall immediately be masters of all Italy, whose greatness, power and importance no man knows better than you".

Cineas, after a short pause, asked: "But after we have conquered Italy, what shall we do next, Sire?"

Pyrrhus replied: "There is Sicily very near, and stretches

out her arms to receive us, a fruitful and populous island, and easy to be taken".

"And is the taking of Sicily to conclude our expeditions?" asked Cineas.

"Far from it", answered Pyrrhus, "then we will take Libya and Carthage, Macedonia and Greece".

"But when we have conquered all, what are we to do then?" asked Cineas.

"Why then, my friend", said Pyrrhus laughing, "we will take our ease, and drink and be merry".

Cineas, having brought him thus far, replied: "And what hinders us from drinking and taking our ease now, when we can get already all these good things by trade; what hinders us from enjoying all these riches, at which we propose to arrive through seas of blood, through infinite toils and dangers, through innumerable calamities which we must both cause and suffer?"

And as a new Cineas, Emeric de Crucée argued that it is to the advantage of society that the various powers and nationalities shall not seek to injure and destroy one another by war, but rather to exchange their various products. He argues that everyone has an interest in the maintenance of peace, and considers, that the merchant is far more useful to human society than the soldier. And the best means to procure a universal peace is the establishment of commerce; and on that account "the monarchs must see to it that their subjects can traffic without fear as well by sea as by land.

What a pleasure it would be — he says — to see

men go freely here and there and to hold intercourse with one another without any scruples of country, ceremonies or other such diversities as if the earth were as she really is, a dwellingplace common to all! Only the savages could oppose such a policy!"

So it is; the nations of our days with their „scientific” tariffs have returned to the barbarian conception that every stranger is an enemy; they have fostered the spirit of animosity; their fundamental idea is exclusion and isolation, leading necessarily to the stupid theory of a powerful “self-contained state”, producing within the circle of its frontiers everything necessary for peaceful industry or warlike preparation, independent of its neighbours, requiring and giving hardly any services to each other.

But they have forgotten the old wisdom that international freetrade is behind the throne of international peace; they don't realize any longer that freedom of trade and the development of international commerce will tend, by making countries more interdependent, to cause wars to grow less frequent.

The new-mercantilism of our days forgets that in order to enjoy the greatest benefits and advantages of commerce, nations must have peace and that the best guarantee for universal peace is to restore the international freetrade. It is a stronger guarantee of peace than all the Triple Alliances and theories of “the balance of powers”, stronger too than all useful Hague Conferences about disarmament. But the disarmament, which every-

body wants and nobody carries out, will remain a pious desire without the disarmament of the tariffs. And the main cause of every war are the economic interests of industry, in most cases only of a few monopolists, protected by the tariff-wall of the custom-duties. And the mistrust, the jealousy and animosity between the different nations are a consequence of the barriers of protectionism, the policy of selfishness, which leads to economic wars and retaliation.

New-mercantilism denies that all nations are bound together by a natural and consequently indestructible tie, that peoples become more and more interdependent, and that in consequence of the improvements of modern communications and intercourse the international community of interests becomes more and more a fact; the unity of the civilized world and the interrelation and interdependence of all civilized modern communities is being steadily and irresistibly advanced. The growing internationalism by the means of communication is undeniable. The net of railways, transatlantic lines, telegraph-cables and telephonelines is becoming larger and larger, and the prosaic tie of commerce and trade is binding the peoples faster and faster one to another. And the peace and goodwill among nations is best promoted by the iron constitution of modern communication and commercial relations, which all together form a real network all round the world; the meshes of this net become by little and little so narrow that the international interests become at last inextricably interwoven as in one great common web.

And is it not a great folly and a contradiction too, to improve the means of communication, to bind peoples faster and faster, with the aim to dispose of the products of the whole world for every part of the world . . . and to build in the same time on the imaginary frontiers a tariff-wall in order to divide the peoples, a high barrier of import duties in order to try to prevent from those same articles the import of foreign countries?

Warfare against the welfare of others, to promote one's own welfare* — that is the essence of a policy which bears such a fine title as "Protection of national labour". As if dissipation of capital and labour, the waste of products and producers — which is the characteristics of war and protectionism — could be an advantage to anyone!

And the purpose of that policy is the frustration of what has been done and of what is being done every day to bring the nations nearer. Protection is nothing else but the erection of barriers against the peaceful power of engines, against the wonders of steam and electricity.

The State, in giving to a few men protected rights to supply its own market, imposes a servitude on the vast body of its citizens in contempt of their just claims to equal laws and equal protection. And while introducing protective duties, it introduces the spirit of privilege, of monopoly from former days; it subsidizes private interests at the nation's expense, and restores the "ancien régime" of arbitrary distribution of national riches;

it mischievously sharpens the struggle between the two great social forces, labour and capital, and disturbs social peace within its own frontiers.

Protectionism is based on the mediaeval erroneous idea that one country gains only by another's loss; that promoting national welfare is only possible by harming other peoples. Can anybody be surprised that the seed of such ideas produces crops of international jealousy? with the consequence of military armaments, animosity, commercial struggles, a permanent danger to friendly relations between the nations?

To be sure, we hear much reasoning about universal peace; we hear boasting speeches on the happy results of "ententes cordiales" and of international solidarity; nearly all parliaments sing the praise of harmony and cooperation of the nations to facilitate labour, to promote intercourse and communication in order to raise the general welfare of the civilized world.

Very nice words, but not followed by deeds. Phrases, hollow words, to deceive the great masses by false enthusiasm; while as basis of international relations is practised the obsolete superstition: "si vis pacem, para bellum".

But as long as diplomatists and statesmen stick to this warlike device, as long as protectionism, commercial jealousy, is the basis of international relations, so long there will be reason for economic war, fostering the spirit of animosity and mistrust between the nations.

And as long as peoples believe that political independ-

ence means industrial separation, they will believe that the prosperity of one nation injures another's, and that in commerce the interests of the nations are hostile: and so long there will be ground for perpetual apprehension of war.

So long as the nations talk of "eternal peace" and practise hostile protectionism, so long will the words of Wordsworth remain true that:

Earth is sick
And Heaven is weary of the hollow words
That States and Kingdoms utter
When they talk of Truth and Justice.

But there is hope. For the economic unity of the peoples is growing stronger and stronger and the process of consolidation is going irresistibly forward, in spite of protectionism and all scientific tariffs. Therefore the friends of peace must join the freetraders and begin at the beginning: the material basis of all progress; they must stand close together and declare war to the war and to its main cause, protectionism, which is the spirit of war; they must join together in a new, continuous crusade under the cry "down with the tariffs" and restore international freedom of commerce. For promoting international labour is not only the best way to promote national industry, it is also the strongest guarantee for procuring good-will among nations. Promoting internationalism is the best nationalism.

Who takes the bull by the horn? Who strikes the axe in the roots of the tree of protectionism, in whose baneful shadow the seed of pacifism can never come to full growth?

When there is truth in Morley's word, that "*The Smaller States are the Salt of the Earth*", let them then convocate a congress of freetraders and pacifists to study the question of what is the best way gradually to abolish protective tariffs, in order to attain first of all the economic disarmament and restore the peaceful free intercourse all over the world.

May all nations follow the example Holland has tried to give! As a protest against military war Holland has already ten years ago concluded with Denmark a treaty for unconditional arbitration under the device of promoting peace by justice. Holland has now three times refused the proposed warlike armour of a "scientific" tariff as a protest against economic war. The Hague Palace of Peace is erected as a monument and an altar of growing sympathy between nations. As yet it is only the seat of the permanent Court of Arbitration, which was already proposed by Emeric de Crucée. But far higher is the aim to prevent quarrels!

Let therefore the nations be mindful of their noble vocation to stand in the first ranks for freedom and peace; let them resolve that from the pinnacle of the Hague Palace, that centre of internationalism, shall wave the Standard of international Freetrade, as a symbol of the great portals everywhere being flung wide

open again to the surging rush of industry and barter, making all the world the great clearinghouse of human endeavour.

When that day arrives, Hope, the Life-giver to Mankind, will spring up within our hearts, and will make Universal Peace seem possible by co-operation of international Freedom and Justice.

CHAPTER IX.

After the Battle.

"Threetimes is sea-law", says a Dutch proverb.

So the voice of the people has in 1913 again pronounced itself against protection. For the first time this happened on the occasion of the general elections in 1897, when the movement for corn-duties was buried for ever; a movement, which gave birth to the Dutch Freetrade Union, and which aimed at bringing a protectionist majority to Parliament. But although our farmers suffered a great deal in those days through the difficulties caused by foreign tariffs, by the overproduction in oversea corn-growing countries especially in the United States of America, by the resulting fall of prices and the general agricultural crisis, in which all the European countries were involved without recourse to Protectionist measures, — yet the energy of our farmers and the special care of our Government made head against the depression, which threatened to become dire; emphatically they refused artificial support by way of protection. The development and the flourishing state of agriculture and horticulture has fully

justified the resistance of freetraders. And though the late protectionist Government found occasion in the explanatory Memorandum to its tariff-bill to declare its adhesion to the principles of that movement for agricultural protection, saying that "in principle it was right", — yet "under the present circumstances it did not think itself entitled to propose corn-duties".

So in principle Government defended protection of agriculture but did not propose it merely from a point of view of expediency. This might be useful on a latter occasion!

Protectionism was not one of the watch-words during the elections of 1901. On the contrary, the subject was carefully avoided by its adherents. In the electoral campaign of 1901 Freetrade or Protection was hardly mentioned; the clerical parties, after having been defeated in 1897, partly because they had made protectionism their shibboleth, were silent about it in 1901 as if the question had never existed. Their electoral programmes, it is true, had said some vague sentences about protection; but, after their opponents had put these into evidence, this controversy was carefully kept in the background during the whole electoral campaign.

Yet protection of industry, which then became more and more the object of protectionist desires, was put to the fore-ground, as soon as the battle had been won on a religious watchword. Tariff-reform for revenue together with the promotion of national labour, this was the fundamental idea of the lex-Harte. It was

first presented in February 1904 in the Second Chamber of the States-General and became one of the stakes of the elections in 1905. For the second time protection, now in the form of a concrete bill, became the stumbling block of the clerical parties. Both trade and industry refused to hang this millstone round their necks; protectionism was defeated for the second time.

In 1908 these parties again resumed government; since then tariff-reform officially has only been considered as a means to provide the growing revenue. And as the elections drew near in 1909, it was combined with the social insurance-bills; it was said that only by raising the duties the money for social measures could be found and at the same time industry saved from total decay!

The clerical parties were victorious in 1909 — yet this victory was by no means due to a vigorous tariff-campaign: on the contrary, the tariff was never mentioned at all.

At last, after several promises, on April 1, 1911, the draft of a new tariff law, the lex-KOLKMAN, was laid on the table of the Second Chamber, which, if put in force would involve the repeal of — notably — the laws of August 18, 1862, and April 6, 1877, regulating the rates of import-duties, and not less a fundamental change in the commercial policy of the Netherlands. As we have seen, this policy has since 1862 breathed Freetrade; henceforward it would be protectionism which should serve as the basis on which to settle import

duties and as the criterion of our trade relations with foreign countries. Doubtless the Government did not own its leanings towards the protective system. In its own words, "the chief aim of this revision is to increase the revenue of the public revenue exchequer by 10 million guilders." So the fiscal flag had to cover the protectionist load! But the proposal proved to be a truly protectionist tariff; and though we were to believe that the Dutch Government of Mr. HEEMSKERK and KOLKMAN was by no means unfolding the Standard of Protection, the aim of the "improvement of the conditions of production", the protection of the national industry" against the "invasion" of foreign goods, the hope to attain that end by raising import duties, the expectation of the development of a "normal" situation for our manufactures faced with foreign competition, — all this is but Protection pure and simple. — At first for the Freetraders it seemed to be quite a hopeless task to fight the bill and to defend the free-trade principles; it was prophesied, that the bill would be simply carried by the enormous governmental majority with the same lack of seriousness, with which it had been prepared. But as in course of time freetraders continued to inform public opinion of the nature and the consequences of protection, opposition awoke and grew daily stronger. This growing opposition, even from the side of the government-partisans, made freetraders hopeful, strengthened their confidence in the truth of their principles, and made them persevere in

their fight against protection. And though with a grateful heart we remember all the help that came to the free-traders from many sides, the strongest help was given to us by.... protectionism itself in the form of the bad results of protection in foreign countries. The best encouragement were not the mythical subsidies of the foreigner but the real saddening facts in protective countries. The strongest help for Dutch freetraders was perhaps the general revolt of protective countries against their own tariffs, against Protection as a disruptive and retrograde force in the advancing civilisation of mankind. The turning of public opinion and the growing free-trade-movement in different countries was a warning to us; it showed that tariffs rest no longer on public conviction, that they are not desired by the great mass of people, that on the contrary the peoples more and more want freedom and justice as the bases for commercial policy and for the international relations.

It was therefore not true, what Dutch tariff-reformers pretended in the committee of the Second Chamber: that "no serious change of mind has been witnessed in protectionist countries". We were taught a very serious lesson by the mutinous revolt, the international repudiation of the gospel of artificial scarcity. We remembered f. i. the dearth in France, artificially created through the high duties in that country ; according to the conviction of the ex-minister Yves Guyot, the storming of the "Halles" was an outburst of an unconscious feeling of injustice, while a protectionist government kept the

frontiers closed, and so made the scarcity last longer.

Is it not a sign of a great change, that in protectionist France, 93 % of the flour-merchants, when asked, gave their vote against the existing tariff; that in 1912 at a congress of mill-owners, with all the votes but one, a motion was carried asking the government to lower the duties: "for the sake of the critical condition of the meal-industry, bakery and corn-trade"? and stating the conviction, that no tax ought to be levied, that weighs on the French consumer so heavily. At the same time it was requested, that the duty on wheat should be lowered one franc per 100 K.G.

Did not the German government by taking measures to import cattle from abroad and so fight the high prices of meat, show amply, that prices are artificially raised by protection? The discussion in the Reichstag on the 27—29th of November 1912 relating to a proposal: "to abolish import duties on commodities in order to make the burden lighter, that weighs on the great mass of the people", certainly was a token of a great change in the ideas. The Reichskanzler, v. BETHMANN—HOLLWEG, owned, that the German labourer was obliged to reduce his consumption a great deal, even saying: "this is not only true for the labourers but also for a great deal of the middle-classes". The Prussian agriculture minister, von SCHORLEMER LIESER, confirmed this, saying himself: "that not only the labouring classes but also the lower officials, the tradesmen and the artisans suffered just as seriously from the high prices; and that the consumption of horse-

meat was increasing". And Dr. DELBRÜCK, the secretary of State, owned implicitly : "that the prices were alarming, and that of course tariff policy aims at raising them. In my whole life I have never seen that a nation surrounded itself by a tariff-wall without having the intention to influence economic conditions in the home-market" Yet Protectionists in our country, who like so much to appeal to Germany, try to make the people believe that from their protection one may expect lower prices!

A change in public opinion also showed itself after the general elections by an increase of free trade votes in the Reichstag, which mounted to 160!

Eyes are gradually being opened. This is shown by the book of a German protectionist Dr. TRESCHNER "Mehr Ausfuhrpolitik." (Essen 1911). It arrives at the conclusion, that export has developed in an unsatisfactory way; that protection as a means of compulsion in negotiations with other states has proved a failure, and that the German population by means of protection has been deprived of its labour.

The reports of the Prussian factory inspectors also are very instructive. The Potsdam inspector says: that, "through the high prices of almost all commodities there was a continual agitation for higher wages; that indeed wages were somewhat raised, but not enough to compensate for the rise in prices." The Posen inspector says, that "no rise of wages came to his knowledge, so that the condition of the workingclasses has got worse since

former years." And the Breslau inspector writes in about the same way.

It can not be wondered at, that these consequences of protection have given birth to an increase of strikes and other labour-conflicts; so, as the English consul in Mannheim told us, the Chamber of Commerce in that town has proposed to abolish the duties on meat, at least to lower them considerably.

Our protectionists are wrong when they think they have to complain of unemployment as a consequence of our system of free trade; and when they try to pretend that Dutch labourers emigrate, "because there is no work and no bread for them here." Does not the experience of German protection teach us, that a new tax in the form of protectionist duties is by no means the right way to satiate hunger?

Is it not a sign of a change, that the above-mentioned prof. SCHMOLLER, who in 1879 has helped to introduce protection in Germany, avowed: "it is the duty of Germany to restore a prudent, reasonable and just commercial policy in the whole international intercourse of the civilized world"?

It would lead us too far to give more than just some instances to show how a change about protectionism is going on in Germany. That a general discontent is growing is proved by the fact that the socialist votes in 1912 rose from 53 to 110 in the Reichstag.

The astonishing fact of the election of a freetrader as president of the American Republic showed abun-

dantly how the American people have grown tired of protectionism. The American people wish that gradually protection shall be replaced by an open door policy, in order to be released from the insufferable oppression of artificially high prices. How this abolition will have to take place is an open question; which shows one of the greatest dangers of protection. It is certain that great-industrials, trusts, which derive great profits from protection, will use all their political influence to avert a lowering of the tariff. Because the whole economic life is now based on protection, it is difficult to return from that broad way. This was to us another warning never to put the first step on that road.

So England has understood the lesson; events in 1912 have shown that the Unionists, the opponents to the freetrade-government, now find protection a millstone round their necks and try to get rid of it. This may at least be the reason why CHAMBERLAIN opposed the idea of having a referendum about the question. He may have understood that the majority of the voters would reject protectionism.

This revolt against protection in other countries has been a warning to us. The growing opposition shows itself in different forms but everywhere; it has as a deeper cause the awakening conviction of the people, that it suffers a wrong from protection; that a tariff is only a boon to a small number. The change in public opinion ultimately takes root in the growing conviction, that the impediment to free trade begins as a

„moderate” duty, always leads farther on the way to protection and finally tends to an unjust oppression of the rights of the people to freedom of contract and justice; to an unjust division of the burden of taxes; to a taxation benefitting a certain number of private persons; to a privilege and a favour for some groups of persons, at the cost of the great mass; that it tends to increase the contest of interests between the different branches of production, between great-industry and retail trade, between producers and consumers, making the latter “taillables et corvéables à merci” by the former.

In protectionist countries it is seen more and more, that protection exasperates more than necessary the animosity between the classes and excites to conflicts between the two social powers, capital and labour; finally it is a great danger to social peace between the different groups of the population; moreover it disturbs the friendly relation between nations and provokes first collisions, afterwards revenge by retorsion and retaliation, finally an economic tariffwar. In other countries a conviction is steadily growing, that protection is a “national misery” and that from an international point of view, as was already acknowledged by the Government after the second raising of tariffs in Germany: it is not a „most-favouring” but an „all-harming policy”.

So we have seen that in Germany as well as in France and America protection has failed, whilst in America the new freetrader-president has begun to

make economic life free from some of the oppressing fetters of import duties.

This change in public opinion, caused by the disappointing results of protection, has enforced in Holland the conviction that a blind imitation of foreign tariffs would by no means be desirable.

The indifference and the idea that "they will not go as far as that" and that "it won't be so bad" made place for active interest in the question of free-trade and for the opinion, that knowledge of conditions abroad teaches us how we should *not* act in regard to tariffpolicy in Holland. At last the Dutch voters understood that there is danger in any tariff, however "moderate" it be. Perhaps they did not judge quite theoretically, perhaps they did not understand quite clearly all the economic arguments — but their instinctive consciousness of justice told them, that commercial policy should aim, as WILSON has said, "to set up the rule of justice and of right in such matters as the tariff"; they felt instinctively that higher social goods were at stake.

Protective tariffs — as COBDEN said already — do not only menace the material welfare we enjoy, but are also felt practically as a wrong against the economically weak, as an extorsion of the labourclasses.

The opposition against the tariff bill found ready utterance in a current of petitions signed by representatives of agriculture, trade and not the least of industry itself; an opposition, which has grown into an almost universal

condemnation by public opinion. Striking the balance of pro and contra, apart from political considerations, the results have shown that our nation has considered the tariff-question by itself and has refused to put one footstep in the direction of an economic system, whose motto would be: defend, protect, but... tax the people. The aversion, evident also among classes in politics belonging to the partisans of the protectionist government, proves that the question should be considered apart from party-politics; even in those classes there were people who understood that it would be at least a dangerous experiment to abandon our most successful freetrade policy, and to begin with an economic policy, of which the largest of the protectionist countries shows the beginning of the end. So the opposition in the Catholic southern part of the country, once the cradle of protectionism, was a token, that protection ought to be dropped from the partyprogrammes, and tariffbills ought to be judged apart from political conviction, after their own intrinsic value. There was many a partisan of the then protectionist government who deplored sincerely, that the government press out of mere party-considerations shut its eyes to the fact, that the great majority of the Dutch population was against the tariff. We remind our reader f.i. of the petitions we already spoke about. More than 300 different petitions advised against the Bill. Those who were partisans to the Bill in the Committee of the Second Chamber tried to push them aside with a careless gesture; but it is mere mockery to deny the value

of these voices from practical industrial life. On the contrary, we did give them a full hearing. Those are not the worst part of the population, that begs emphatically to be allowed the competition with foreign industry free from support, but also free from unnecessary impediments.

In Holland we know, that particularly to this stimulation of the foreign competition we owe our economic revival, and such a one, that, as appears from the ever increasing export, our agriculture as well as our industry are fully able to meet foreign competition in the worlds' market; in the same way our country by its freetrade occupies an honourable place amongst nations in regard to commerce and navigation. None can wonder that the Chambers of Commerce as the organs of the old-Dutch commerce and navigation advised most emphatically against the relinquishment of that reviving principle; the middleclasses gave the same votum; so did several organisations of industry, agriculture, dairy-industry and horticulture and also the Union of shopkeepers.

So universal was the verdict on the tariff bill, that when one asks who defended the *principle* of protection even the Government itself declared by anticipation that: "they themselves in principle would embrace free-trade"! Why then protection? Well, out of fear that foreign tariffs might lead to stagnation and decay of Dutch industry? But this was only a mistake of the author of the explanatory Memorandum; for more than a quarter of a century protective duties have been con-

tinually raised abroad — and all that time our country has enjoyed a perfect welfare. The Government itself several times denied the value of the „depression”-argument, which says, that protection is necessary against „dumping” of foreign trusts. The dumping argument was also made use of in the memorandum, even as a decisive element, which made it necessary to give “some support” to national industry. But.... the Labour department showed repeatedly that those fears, suppositions and expectations were wholly contrary to the facts and figures, with which it documented a very prosperous condition of Dutch industrial life. Again we remind the reader of the well-known Brussels pamphlets made for the Brussels exhibition, afterwards worked out to a voluminous report of the Trade-department, one continual panegyric on the prosperous state of an industry full of vital energy. Again we think of the reports of the Labour-Inspection already mentioned above. These official data prove sufficiently, that the assertions of decline and decay of our industry have flown from a far too pessimistic pen; and the supposition that our country has become the dumping-ground for foreign overproduction must simply be considered as a single dissonant, overruled by the rejoicings of the Industry-department excited by hopeful reality. A rejoicing in which also joined the former minister of the Waterstaat-department. On the occasion of the railway-debates in the Second Chamber, he explained the lack of rolling stock which was complained of, by saying,

that "there had been quite an abnormal increase in the expedition of goods"; and he called "this fact a proof of the great prosperity of trade and industry".

So have the "economic arguments" of the protectionists been condemned by their own Government itself.

Neither did our nation want the tariff bill as a political instrument. It understood that it was a confusion of ideas, to mix up the tariff question with actual party-politics, with which it has nothing at all to do.

Least of all it is permitted to suggest that protection would have the same aim as social reform. In itself, considered historically and economically, protection and the principle of social reform are diametrically opposed as to their aim and consequences. On the contrary free trade just as social reform, tends to develop the conviction, not of animosity but of community of interests, not of isolation but of interdependence. Both are promoted by and have proceeded from a free intercourse between the nations, so that international division of labour might afford to both parties the utmost results.

The protection-idea is opposed to the historical development of the social idea, and does not correspond with the principle of social reform, which wants to promote the interests of the labourclasses in the universal interest of the whole nation.

Protection ultimately means to promote some private interests, and is by no means in harmony with the tendency to correct social order by means of social laws.

As such it is also un-democratic; privileges and favours are not of our time, which demands application of the principle: that the burden of taxation be in proportion to the capacity of bearing.

And if really social reform is taken up seriously in favour of the labourclasses, then justice demands that the fiscal hand does not take from them what the social hand gives.

It is evident that the tariff-question is in the first place a labour question ; that free trade is part of a social policy, from whatsoever point of view we consider it, from the point of view of production, of revenue or of consumption. It is always the labourer who loses, if we try to protect national labour. From a fiscal point of view, protection is in contradiction with social reform as a claim of justice and of equity ; by its fatal influence on production and consumption it forms one more ominous agent to ruin social peace between capital and labour ; whilst it is one of the aims of social reform to promote this peace.

It is now universally acknowledged, that the economic commercial policy ought not to be made an item of party-politics but that it must be judged on its own merits ; that it may not be made use of as a political instrument ; that it may neither be used as a source of taxes because it is so very "easy" to do so ; that the protectionist system, oppressing the economically weaker part of the nation, may least of all be dressed in the purple of social ideals. Apart from the material damage to trade and

navigation, to agriculture and industry, which because of foreign experience could justly be feared, the opposition against the protectionist proposal grew daily stronger, also on account of the moral consequences, the confusion of the economic question with party-politics, and the danger of deterioration of political morality.

The voice of the people has for the third time, in 1913 condemned protection in general, ultimately from the instinctive consciousness that protection opens the door to insincerity and corruption in politics, and finally tends to do injustice to the broad masses of the people. The threefold defeat of protectionism in Holland since 1895 has now definitively proved, that the majority of our nation wants to stick to the principles of free trade which have brought us to prosperity.

The elections of 1913 mean to us in their deeper signification that our nation also in the realm of trade prefers the free development of personal qualities to artificial protection through the government which leads to slavery; that it prefers a commercial policy built on the principle of freedom, to one that, lacking principles, is based on political opportunism, and which leads to privilege private interests at the cost of universal welfare; which by its unsocial tendency leads to dissention and excites unnecessary animosity in the battle of social interests instead of leading towards a community of interests and to social peace.

